Moscow free-for-all
Capitalism Russian style
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Drugs that fight fungi
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Foot in the door
Why nobody loves a salesman
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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY AUGUST 25 1994 — D8523A

American Barrick poised to acquire Lac of Canada

The management of Lac Minerals was poised last night to accept a revised offer by American Barrick valuing the Canadian gold producer at C$2.4bn ($1.73bn). Barrick, one of North America's top three gold producers, has now beaten rival Royal Oak Mines for the hand of Lac Minerals and will become one of the world's biggest gold producers. Page 13

India to ease drug industry rules: India is about to partially liberalise its pharmaceutical industry in a move that would cut price controls and allow foreign groups to take majority stakes in their Indian ventures. Page 12

Blood clot breakthrough: Scientists have taken an important step towards finding a drug to control blood clotting, which causes heart attacks and strokes. Page 12

Taiwan set to allow foreign securities: Taiwan is expected to announce final approval for eight foreign securities houses to establish branches on the island as part of a broader deregulation of the securities industry. Page 12

Nordbanken, the biggest casualty of Sweden's 1992 banking crisis, reported the largest profit achieved by the country's banks in the first half of this year. Page 13

BMW, the German carmaker, has paid Honda £200m ($310m) for its 20 per cent stake in Rover, bringing the total cost of its takeover earlier this year of the leading UK car producer to £1bn. Page 13

Newspaper pricing war: Conrad Black, chairman of the Telegraph Group, said the price-cutting wars in the UK's national newspaper industry represented the biggest challenge to the company since the move from Fleet Street eight years ago. Page 13

Maradona given 15-month suspension:

Soccer star Diego Maradona received a 15-month suspension for taking banned stimulants during the World Cup. The penalty could prove the end of the career of the 33-year-old Argentine, who is widely regarded as the best player of his generation. World soccer's governing body FIFA also fined Maradona SFr20,000 ($15,400) for taking the "cocktail" of five derivatives of ephedrine, traces of which were found in a random drug test after Argentina's victory over Nigeria on July 25.

Russian debt plan for promissory notes: The Russian ministry of finance proposed that promissory notes be used to resolve the country's growing debt crisis. Page 2

Digital Equipment, the US computer company struggling to cut costs, has sold nearly 100m Olivetti shares, acquired as part of an ambitious plan in 1992 to strengthen links with the Italian computer group. Page 14

West Bank deal signed: Israel and the Palestine Liberation Organisation initialed an agreement in Cairo to extend Palestinian powers across the Israeli-occupied West Bank. Page 3

Japan has eyes for Vietnam market: Japan is Vietnam's largest donor of official development aid. Now Japanese corporations are looking to boost their investment in the country. Page 4

Business urges links with N Korea: South Korean businesses believe the government is misguided in refusing to allow economic co-operation with North Korea until the dispute over Pyongyang's nuclear programme is solved. Page 3

US durable good orders fall: US durable goods orders fell 4.2 per cent in July, the biggest decline in 2½ years. Page 4

Syria goes to polls: Voting in Syria's parliamentary elections opened with more than 7,000 candidates standing for 250 seats in the People's Assembly. Page 3

Lloyd's agent to raise Bermudan capital: A Lloyd's agent is teaming up with a Bermudan securities house to raise up to £25m ($38.7m) for the insurance market. Page 6

Swiss reject Zhirinovsky: Switzerland has rejected a request by Russian ultra-nationalist Vladimir Zhirinovsky to enter the country and stay at a health resort. In the past year, he has also been refused entry to Germany, France, Spain and Slovenia.

■ STOCK MARKET INDICES

FT-SE 100	3,205.2	(+30.1)
Yield	3.93	
FT-SE Eurotrack 100	1,359.31	(+11.53)
FT-SE-A All-Share	1,604.14	(+0.7%)
Nikkei	20,511.60	(+130.82)
New York: lunchtime		
Dow Jones Ind Ave	3,801.40	(+25.57)
S&P Composite	466.35	(+1.84)

■ US LUNCHTIME RATES

Federal Funds:	4⅝%
3-mo Treas Bills: Yld	4.657%
Long Bond	99⅝
Yield	7.512%

■ LONDON MONEY

3-mo Interbank	5½%	(same)
Liffe long gilt future:	Sep 100⅜	(Sep 100⅜)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.28	(15.93)

■ Gold

New York Comex (Dec)	$388.6	(386.5)
London	$384.25	(382.0)

■ STERLING

New York lunchtime:		
$	1.5545	
London:		
$	1.5558	(1.5539)
DM	2.3977	(2.3893)
FFr	8.2162	(8.188)
SFr	2.0228	(2.0145)
Y	153.114	(152.977)
£ Index	78.9	(78.6)

■ DOLLAR

New York lunchtime:		
DM	1.5425	
FFr	5.285	
SFr	1.3005	
Y	98.645	
London:		
DM	1.5411	(1.5377)
FFr	5.281	(5.2695)
SFr	1.3	(1.2964)
Y	98.415	(98.45)
$ Index	62.4	(same)

Tokyo close Y 98.52

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk5.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland)	Es225	Turkey	L30000
						UAE	Dh12.00

IBM slashes prices of US business computers

By Louise Kehoe in San Francisco

A price war erupted in the US personal computer market yesterday as International Business Machines slashed prices on many of its PC products by up to 27 per cent. The move came in response to similar price cuts by Compaq Computer, the US market leader.

Compaq threw down the gauntlet last week by cutting US prices on PC models sold primarily to businesses by up to 22 per cent.

IBM has responded by matching Compaq's prices on similar models. High-performance desktop PCs with large capacity disc drives formerly selling for around $2,500 are now expected to be widely available for just under $2,000.

"Today's actions clearly demonstrate IBM's continuing commitment to respond quickly in resetting prices to meet changing market conditions," said Bill McCracken, general manager, marketing and customer fulfilment at IBM PC Company.

Other PC manufacturers are now almost certain to follow suit as the battle for market share unfolds. "In the near future you can expect that we will undercut Compaq's prices," said Mr Boris Elisman, product marketing and programs manager for Hewlett-Packard's PC business.

Lex .... Page 12
Picking up the gauntlet .... Page 13

Mr Elisman said he expected to see continuing price reductions in the fourth quarter as competition intensified. Digital Equipment is also expected to cut its PC prices within the next few days. The company is reported to have begun informing computer dealers of the impending reductions.

IBM yesterday broadened the pricing battle by reducing prices of its PC servers to about 5 per cent below Compaq's current levels. PC servers are computers used to control office computer networks, and represent the most profitable and fastest growing segment of the corporate PC market.

Compaq is currently the dominant supplier of PC servers, but IBM, which launched new products earlier this year, is making an aggressive push into Compaq's territory. The price war comes as the industry is entering its peak selling season and is expected to boost sales in an already rapidly growing market.

Fuelling the PC battle are cuts by Intel in the prices of its microprocessors, the "brains" of PCs. Intel reduced the prices of its 486 and Pentium chips by about 40 per cent in the second quarter.

Also adding to the momentum of PC price declines is the broad availability of products in a market that has faced product shortages during the past two years. With inventories now building up, manufacturers are determined to increase sales.

US to house refugees at naval base ■ Cuba government offers talks

Thousands still fleeing Cuba

By James Harding in Washington

Cuban refugees on inflatable craft wave at a US coast guard helicopter which spotted them about 45 miles south of Key West, Florida Picture: AP

The US moved to house indefinitely tens of thousands of Cuban refugees yesterday at its Guantánamo Bay naval base and third-country detention centres as the numbers fleeing the island continued to soar.

The Clinton administration, under growing pressure from the tide of refugees in spite of last week's policy switch to bar them from entering the US, was yesterday offered talks on the issue without preconditions by Cuba.

Mr Roberto Raina, Cuba's foreign minister, said on a visit to Chile that his government was willing to talk to Washington, but would not accept a dialogue "in which one side presides and the other listens". However, the US has consistently rejected the possibility of talks.

Mr William Perry, US defence secretary, said camps at Guantánamo Bay in Cuba, which presently hold 23,000 refugees from both Cuba and Haiti, would be expanded house up to 40,000 people by the end of next week.

"We are preparing to maintain that [detention] base indefinitely if necessary until such time as the people can be repatriated to Cuba," Mr Perry said.

US officials refused to say explicitly that they would hold refugees until the Castro regime fell, but said they would be detained until they could be repatriated to Cuba – which US law presently forbids.

The US Coastguard reported 3,253 people were picked up on Tuesday, a record for one day. Mr Perry said that of the 9,000 refugees picked up in recent weeks, 2,000 were already held at Guantánamo Bay and the other 7,000 were on route there.

The administration again warned Cubans not to attempt the dangerous crossing, with a stern reminder that those picked up at sea and taken to Guantánamo would never get into the US. "Do not risk your lives," Ms Janet Reno, attorney-general, said. "You will not be processed for admission to the US."

Ms Reno urged those wanting to leave to pursue legal emigration by taking advantage of the 28,000 visas reserved for them annually in Cuba.

Mr Perry also said that, contrary to some reports, he had "no evidence" of Cubans congregating on the country's border with the US base at Guantánamo. If Cuba allowed this to happen the US "would regard this as being an unfriendly act [and] take appropriate actions", he said.

Although the administration hopes to see a drop in numbers fleeing the island over the next week as its policy change hits home, the State Department is negotiating to set up third-country safe havens in the region.

Mr Peter Tarnoff, deputy secretary of state, confirmed that the US expects to conclude arrangements with the Turks and Caicos Islands – a British dependency – as well as Surinam and Panama.

Mr Tarnoff rejected the idea of discussions with Cuba's leader-

Continued on Page 12
Cuban exiles await green light from US, Page 4

Wellcome launches US drug patent suit

By Daniel Green in London

Wellcome, the UK drug company, is taking its rival SmithKline Beecham to court in the US, accusing it of infringing the patents on its best-selling drug Zovirax, a treatment for herpes and shingles.

The suit claims that the SmithKline drug Famvir, launched last month in the US, produces inside the body a "virtually identical" molecule to that covered by Wellcome patents. Wellcome wants an injunction against the sale of Famvir in the US and is claiming unspecified damages for loss of sales.

SmithKline said the legal action was a surprise. It denied infringing any patents and said it would defend the actions.

This is the first patent suit in recent years by Wellcome against a multinational drug company. It comes after a series of changes in top management at the company, including the promotion in May of Dr David Barry from the company's US operations to head of research, development and medical affairs.

Patent suits are commonplace elsewhere in the drugs industry, especially in the US. Winning even a few weeks' extra legal protection for a drug can mean tens of millions of dollars in added earnings for the patent holder.

About $1.5m worth of Zovirax is sold every day in the US. With

Continued on Page 12
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China orders food price curbs after rise in retail inflation

By Tony Walker in Beijing

China signalled its alarm yesterday at a big jump in retail inflation by ordering a nationwide drive against food price rises, the main cause of the latest inflationary surge.

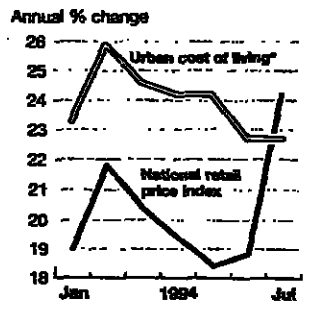
The country's newspapers, reflecting government concerns about social unrest, splashed across their front pages a directive from the ministry of internal trade calling on state food distribution agencies to "stabilise" the market.

This coincided with the release of inflation figures for the 35 main cities showing a 24.2 per cent rise in retail prices in the 12 months to July. Prices were much higher than in previous months because of steep increases in staple commodities such as grain, vegetables and pork.

The jump in July prices, reversing the moderating trend of the first six months, has unnerved the government, which had believed its tight money policies were beginning to counter an inflationary spiral.

"The ministry of internal trade urges distribution departments to do a good job in supervising local price rises and punish resolutely any speculators," People's Daily, the Communist party newspaper, reported. There was no mention in the directive of the reintroduction of price controls on staples, but localities were authorised to distribute commodities from stockpiles or use special funds earmarked for the purpose to stabilise prices.

China: inflation



*35 main cities
Source: State Statistical Bureau

The bad inflation news has compounded official worries about possible social unrest fuelled by rising prices. Figures released last week showed that capital spending in July had leapt by 72.9 per cent compared with the same period last year.

While western economists cautioned that not too much could be read into one month's fixed asset investment figures, the government was sufficiently concerned to announce it was tightening credit after an easing in the second quarter.

The authorities are almost certainly bracing themselves for more bad news, with pressures on food prices in both southern China, which has been hit by widespread flooding, and the north, which has been suffering from drought. Beijing has also promised hard-pressed farmers further increases in grain prices.

The state statistical bureau reported that the food price index for city-dwellers rose 31.9 per cent in July compared with the same month last year. Grain prices jumped by 57.8 per cent and vegetables by 29.7 per cent.

The government's target of national retail inflation of 10 per cent for 1994 is now certain to be surpassed. Based on July figures, it might be hard-pressed to keep inflation below 20 per cent for the year, compared with the 13 per cent of last year.

While the government fears the reaction to food price increases, the broader cost of living index, including services, appears to have stabilised. In July, the cost of living for the 35 main cities was up 22.7 per cent compared with July, 1993, but down from a year's high of 25.9 per cent in February.

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مكتبة الأصل

NEWS: EUROPE

Russian debt plan for promissory notes

By Chrystia Freeland in Moscow

The Russian Ministry of Finance proposed yesterday that promissory notes be used to resolve the country's growing debt crisis.

The inter-enterprise debt, which government officials said now exceeds Rbs100,000bn (£30bn), threatens to paralyse the Russian economy and is developing into the Kremlin's top political concern.

Mr Sergei Dubinin, the acting minister of finance, presented a draft law on the introduction of promissory notes to yesterday's meeting of the Russian government's emergency commission on the debt crisis.

According to Russian news agencies, Mr Dubinin's proposal is that promissory notes, backed by government guarantees, should be used to cover enterprises' current debts for goods which have already been delivered. Eventually, he told the commission, all the inter-enterprise debt would be translated into promissory notes.

A presidential decree last spring made a similar scheme mandatory in an early effort to head off the debt crisis, but Russian enterprises largely failed to comply, according to Mr Fyodor Andryev, a board member of Tver Universal Bank, which is active in the corporate debt market.

But the new plan, whose details remain vague even to senior Russian government officials, is being sceptically received by reformist members of the Russian administration and senior western analysts and bankers.

They fear the promissory notes, particularly if backed by the government and indiscriminately issued to enterprises, could merely become disguised government loans.

Mr Sergei Aleksashenko, the deputy minister of finance and an advocate of tough market reforms, rejected his minister's own proposal.

"The minister must be mistaken," Mr Aleksashenko said. "My government will never bail out indebted enterprises either through government backed promissory notes or more directly."

Russia's experience with high inflation has made the government wary of directly handing out soft loans, but many Russian officials also fear the political implications of allowing large numbers of inefficient, indebted enterprises to go bankrupt.

Western analysts fear that a promissory note programme could, in the guise of a solution to the debt problem, merely be a way of postponing the final day of reckoning.

"They smell to me of another government bail-out," one senior western economist said. A western banker working in Moscow said the proposal "does not address the basic problem and could even create some new problems". In his view, the best solution to the debt mountain – which he said "is getting to be a crisis; there is a real debt spiral developing" – would be for the government to intervene as little as possible.

The banker pointed out that debt was already very expensive for Russian companies and that to lower their debt burden some enterprises were beginning to offer investors debt for equity swaps.

Any government programme which indiscriminantly assisted both more and less indebted enterprises, he said, would harm those more efficient factories which have sought to reduce their debt load on their own initiative.

German poll finds little love for banks

By Christopher Parkes in Frankfurt

German banks not only have too much influence over industry, but they fail to use it effectively, according to a poll of the nation's management and political elite. They have also lost the confidence of many ordinary customers who now believe they will get a better deal from a car salesman than from their bank manager.

The tax man, too, appears to require protection from Germany's unloved financiers. According to the respected Allensbach polling institute, banks offering overseas investment advice to savers will frequently throw in advice on tax avoidance as a bonus.

In a process akin to sticking a finger in boiling water to check if it is hot, the institute carried out a survey recently as the nation steamed over the third successive bank-related corporate calamity, and while tempers simmered over bumper bank profits garnered during the recession.

Questioning of a 650-strong sample on the topic of bank power, the institute came up with a clear majority believing banks should not be allowed to hold stakes of more than 15 per cent in other companies.

Three-quarters of the sample, which included premiers, board directors and top managers, said bankers should be granted fewer seats on other companies' non-executive supervisory boards; two-thirds believed they did not take their responsibilities seriously enough.

Long a favourite target of the popular press, German banks have now emerged as not much liked in the higher ranks of society. Although the timing and tone of the survey – for Capital business magazine – questions might arguably have distorted the results, the findings underlined the need for some image-building.

In an unaccustomed display of contrition, Mr Hilmar Kopper, Deutsche Bank chairman, and target of much abuse, recently admitted to "arrogance".

Sensitivities have been outraged in particular by the near-collapse of Metallgesellschaft in which leading banks had large holdings and considerable supervisory board clout.

This and the subsequent alleged multi-billion scams perpetrated by property shark, Mr Jürgen Schneider – now on the run – and managers of an athletics track supplier, injected new life into a prolonged debate on the power of the financial institutions.

Fewer than 50 per cent of the managers in the group said banks helped the economy to function while 40 per cent said they acted as a brake on entrepreneurial initiative.

The fed[illegible] banking association greeted the survey with "great astonishment," adding there was nothing new in the results.

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Sparks set to fly over Kleve's power plans

Mr Manfred Palman, financial director of the small German city of Kleve on the Dutch border, needs no prompting to recall the two most important events in the city's modern history: the Allied bombing on October 7, 1944, and the contract made in 1910 between Kleve and RWE Energie, Germany's largest utility, to supply its inhabitants with electricity.

Fifty years on, though, the bombing seems to have had less impact than the contract. "The Allies bombed 91 per cent of our city, but we have since rebuilt it. RWE has monopolised our electricity supply since the early 1900s. But now we want to end that contract," said Mr Palman.

Ironically, the British may now be his best hope of doing that. Mr Palman hopes Britain, and some other countries of the European Union, will support a decision by Kleve to end the contract with RWE and buy its energy from the neighbouring Netherlands. This decision is supported by Germany's cartel office which has referred the question to the Brussels competition authorities.

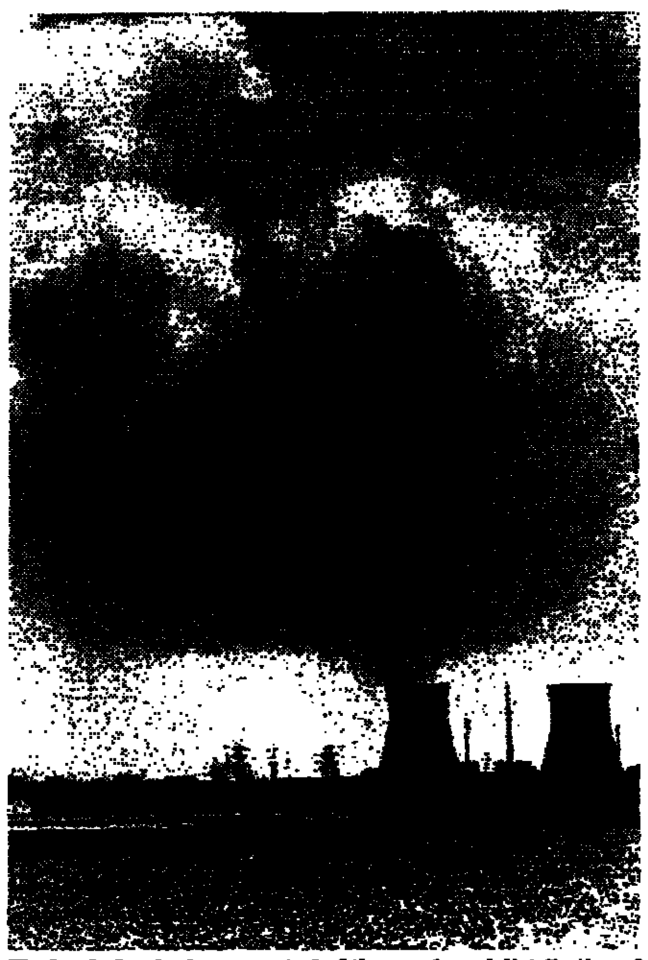
"The EU wants to use Kleve as a test case. We must win because this will be the beginning of the end of the large energy monopolies in Germany," said Mr Palman. "It will usher in an era of competition and choice for the consumer."

That would be a significant departure for Europe's electricity supply industry in general and for Germany in particular. The battle for the future control of the supply and distribution of energy is one of Germany's hottest political issues – a great deal of power and money is at stake.

In every German city or town *Stadtwerke*, or city utilities, are responsible for supplying electricity, gas, and water to the local industrial and domestic consumers. The *Stadtwerke*, which are owned by the city councils have a long tradition, however, of issuing exclusive "concession rights", or contracts, to Germany's largest utilities.

To obtain these exclusive concessions, the utility companies pay the Stadtwerke an annual fee. "In the case of Kleve, RWE pays us DM3.5m [£1.5m] each year," said Mr Palman. Kleve consumes 210m

Judy Dempsey on a German town's attempt to buy its electricity from over the border in Netherlands



The battle for the future control of the supply and distribution of energy is generating much heat in Germany – a great deal of power and money is at stake. *Ulrike Preuss*

kilowatt hours each year at a cost of DM45m-DM50m [£19m-£21m].

"Our domestic consumers pay 14.7 pfennigs per kilowatt hour," said Mr Palman. "But we think we can obtain energy from the Netherlands for 2 pfennigs cheaper. The problem is that, as yet, there is no link between Kleve and a Dutch supplier," he added.

Indeed, if Kleve were to go further afield, says Mr Palman, the city might be able to obtain nuclear generated power from France for about 8 pfennigs per kilowatt hour. "But because there is no German law permitting third party access [TPA], which, in our case, would allow any outside company access to the RWE grid at Kleve, we are entirely dependent on this monopoly structure with RWE."

The dispute between the company and Kleve's city council – controlled by Chancellor Helmut Kohl's Christian Democrats in coalition with the Free Democrats – has national political implications because it coincides with attempts by Mr Günter Rexrodt, the FDP economics minister, to deregulate Germany's energy sector.

Germany currently the European Union presidency and Mr Rexrodt is trying to introduce EU legislation aimed at introducing TPA throughout Union. To no-one's surprise, his plans are floundering.

Britain, which supports TPA, has backed him, but France, with one of the EU's jealously guarded energy structures, has opposed any plans for liberalisation. More importantly, utility officials say that since France will assume the EU presidency next January, Mr Kohl is unwilling to support his minister for fear of upsetting Franco-German relations. The chancellor is also reluctant to push for TPA until after October's federal elections. "Everyone in Bonn is waiting to see the outcome of the elections before any party tackles the energy issue head-on," said Mr Palman.

The Stadtwerke, too, are hoping the next government will not upset the comfortable status quo. Most of them oppose liberalisation for a variety of reasons. Those councils controlled by the opposition Social Democratic party fear deregulation would adversely affect the coal industry, traditional SPD supporters, and eventually lead to the phasing out of coal subsidies. Each tonne of German-produced coal receives a subsidy of DM200m to offset cheap imports.

In addition, said an official from the Federal Association for Gas and Water, "the introduction of TPA would mean that the Stadtwerke would lose at least DM5bn each year from concession rights fees. No wonder the finance ministry is also against TPA. It would have to fork out more money to the local councils."

Above all, TPA would mean the loss of political favours for the Stadtwerke. "Germany's utilities are adept at offering more besides energy when they pay the annual concession fee," claimed the same official. "Its a kind of political patronage. Don't forget that members of the Stadtwerke are also members of the city councils, who in turn have close political ties with the state governments. The councils need money to run their campaigns and prove their track record. Where do you think the money for a new swimming pool comes from?"

Mr Palman has little patience with this kind of political clientalism which has evolved over the decades between the Stadtwerke, the utilities, the city councils and the states. "We want choice and competition. If we can obtain cheaper energy from other sources we should have the right to do that."

Germany's utilities, for their part, say they have "in principal" nothing against TPA. "We are not opposed to competition provided TPA is based on reciprocity which means that we would be able to sell and distribute our energy in France," said an official from RWE Energie.

But back in Kleve, Mr Palman knows that without a political consensus in Bonn ready to take on the Stadtwerke and utilities, or unity in the EU, the city's 47,428 inhabitants will have to wait some time for their Dutch electricity.

Drugs, telecoms seen as spur to EU growth

By Lionel Barber in Brussels

Pharmaceuticals, telecoms, computer and office equipment, and plastics processing are among the six leading growth sectors in European industry, according to a study published yesterday by the European Commission.

The 1,400-page report says a surge in demand for health services, the drive toward a new "information society", as well as rapid expansion of car manufacturing and electronic engineering, were the engines of growth between 1986 and 1992.

But a source of worry is the widespread fall in European companies' average profit ratio as a result of weaker world growth, stronger competition and high real interest rates.

European companies are also failing to keep pace with their Japanese and US competitors in investment in the fast-growing east Asian economies, according to the 5th edition of the Panorama of EU industry*.

One of the EU's success stories, nevertheless, is in the world pharmaceutical market, where it is the leading producer. Production rose 44 per cent (in constant prices) since 1987, while the US and Japan increased their level by 8 per cent and 17 per cent respectively. As a result, in 1992, the value of EU production was about a third higher than that of the US and double Japan's.

In telecommunications, the report predicts growth of 6 per cent a year, boosted by new technologies and liberalisation of data services and mobile communications. The total information services market in the EU could reach Ecus244bn (£195bn) by 1997, with telecoms accounting for Ecu136bn.

The computer industry is undergoing a downturn, with large indigenous suppliers such as Siemens-Nixdorf of Germany, Groupe Bull of France and Olivetti of Italy losing money amid radical restructuring, the report says. But it predicts Europeans may be well placed to exploit the trend to smaller data processing machines.

Eco-industries have strong growth potential. The report says Greece, Portugal and Spain are projected to have the highest rates because they will have to invest to meet EU legislative targets. Market growth estimates among the southern Europeans range from 7.4 per cent to 8.3 per cent; but growth in the UK, France, Italy and Belgium is likely to be only moderate and may have already peaked in Germany and the Netherlands.

The report predicts demand in waste management and land reclamation are likely to increase, while the share of the water treatment and air pollution control equipment sectors is likely to decline – partly because of the Commission decision to adapt legislation to match demands for subsidiarity (devolving decision-making to member states from Brussels).

Panorama of EU industry available in English, French and German from Office for Official Publications of European Communities, Rue Mercier, L-2985 Luxembourg. Tel 352 499281. Price Ecu130.

Slovakia prepares its sale of the century

The stalled privatisation programme is back on track, reports **Vincent Boland** from Bratislava

Slovakia's governing coalition, which came to office in March vowing to revive the country's stalled privatisation programme, is about to make good on its promise.

On September 6, three weeks before a general election, the government of prime minister Mr Jozef Moravčik is due to approve the sale of up to Kcs250bn (£5.2bn) worth of state assets to the private sector. It is one of the biggest mass sell-off programmes of any post-Communist country outside the Czech Republic.

However, given the government's distinctly end-of-term air, nobody is taking anything for granted. Officials admit there is still a lot of work to be done. "People are working 24 hours a day to get everything finished," said one, exaggerating only slightly. "We are trying to make up for the previous government [of Mr Vladimir Mečiar], which didn't do much, to say the least."

when Slovaks vote on September 30 and October 1 in the first general election since independence 20 months ago.

Getting his fragile coalition to approve such a sweeping sell-off programme will be difficult. The Democratic Left party (SDL), comprising mainly former Communists, with seven ministers in the mainly technocratic government, is divided on the issue. Luckily for Mr Moravčik, the SDL's pro-privatisation wing, headed by deputy prime minister Ms Brigita Schmögnerova, is currently in the ascendant.

"Privatisation is the most difficult issue facing the government," admits Mr Eduard Kukan, foreign minister. He maintains, however, that it is less whether the policy should be implemented, than how,

to fulfil our promise."

But the plans have come under fire for allocating only a quarter of the sales to voucher privatisation. Slovaks are already familiar with the voucher method, a device used the last government of the former Czechoslovakia in which citizens buy vouchers and exchange them for shares in the companies of their choice. About 30 per cent of Slovak industry had already been privatised in this way before the federation split at the end of 1992.

The new programme calls for disposing of Kcs80bn of assets via the voucher method, though this may yet be reduced to Kcs60bn. The remainder will be sold directly to investors or management, or floated on the stock market

With opinion polls suggesting the SDL and Mr Mečiar's Movement for a Democratic Slovakia will emerge as the biggest parties after the election, it is fear of the return to power of the former prime minister, a hardline nationalist with no inclination towards privatisation, that is driving the government to push through its proposals.

This has also led it to strengthen anti-corruption and money laundering laws alleged to have been ignored or abused during the last days of the Mečiar administration. Three weeks ago parliament enacted a law which requires all Slovak citizens buying state property to provide documented evidence of the source of their funds.

However, there is now the

Michal Kovač to call a referendum to enshrine a similar clause in the constitution. However, the question voters are to be asked to decide is extremely vague, and there are fears that if the referendum goes ahead – it is scheduled for October 22 – it could vitiate the newly strengthened legislation, which has been praised for its comprehensiveness.

The government, as a result, would like to avoid the referendum, but summoning a parliamentary majority to repeal the order is proving impossible. Too many politicians are getting campaign mileage out of being seen to support it.

This is exactly what Mr Moravčik was hoping to avoid. Instead, he has inadvertently handed a stick to the nationalists, who have taken to beating the government with it. Whether it becomes an issue when the election campaign kicks off in earnest in the

EUROPEAN NEWS DIGEST

Russians stop uranium theft

Two unemployed Russian men have been arrested trying to steal low-grade uranium from a weapons plant in central Russia. The two men were caught on Saturday in possession of almost 10kg of uranium-238 at the Arzamas-16 plant near Nizhny Novgorod. The arrests followed a joint investigation by the counter-intelligence service, the interior ministry and local security officials. Nuclear experts said that although the material was dangerous it was not of sufficient quality or quantity to make a nuclear bomb.

The Russian authorities said that the arrests showed the effectiveness of current security measures and attacked the western media for tarnishing the reputation of their nuclear industry. The Russian counter-intelligence service said the country "almost certainly" had nothing to do with the trade in contraband nuclear materials. The illicit international trade in nuclear materials was highlighted recently when three batches of weapons-grade plutonium were found in Germany. Following talks in Moscow at the weekend between Mr Bernd Schmidbauer, Chancellor Helmut Kohl's intelligence co-ordinator, and the Russian authorities, both countries have promised a greater exchange of intelligence information and co-operation to counter contraband plutonium. But the issue is taking on an increasingly multinational dimension. Mr Klaus Kinkel, German foreign minister, said yesterday he would raise the matter at a meeting of European Union foreign ministers next month. He suggested the United Nations Security Council should also debate how to stop plutonium smuggling. *John Thornhill, Moscow.*

Rühe warns on Eurofighter

German defence minister, Mr Volker Rühe, said that the Bonn government would not buy the Eurofighter 2000 if it proved to cost the DM150m (£63m) per aircraft which the German National Audit Office has calculated. "I can only warn the industry that if it is considering prices like that, the Eurofighter will not be built, said Mr Rühe. In an interview with Stern magazine, he added that it was not the place of the audit office to recommend that Germany should buy Russian MiG-29 aircraft instead. "When the German parliament decides on ordering [the aircraft] in 1995, the two most important criteria will be performance and the concept of European industry," he said. The audit office's controversial report also recommends that Germany delay any purchase of Eurofighter until 2006. However, most experts believe the DM150m figure to be wrong. Industry sources say that the current estimate is around DM103m, against a government target of DM90m. The current year's Eurofighter development funding is due to be debated by German parliamentary committees on 6 September. *Bernard Gray, London.*

Denmark unveils tight budget

In an attempt to convince the financial markets that current high rates of interest on Danish government bonds are unjustified, the government yesterday presented a tight draft budget for 1995, bringing its publication forward by a week. Central government expenditure will fall by DKr6bn (£635m) in real terms in 1995 to DKr392.5bn, said Mr Mogens Lykketoft, finance minister, who added that the budget will have a restrictive effect on the economy next year after being strongly expansive in 1994 – election year. The economic recovery has allowed the government to limit expenditure and increase revenue. The budget deficit is set to fall to DKr45.3bn in 1995, or 4.6 per cent of gross domestic product, from DKr47.3bn, or 5.1 per cent of GDP, in the current year. The total public sector financial deficit will fall to DKr30.4bn from DKr41.0bn, or from 4.4 to 3.1 per cent of GDP. The budget, which proposes no new taxation or expenditure, had no immediate effect on the financial markets. *Hilary Barnes, Copenhagen.*

Russia rebuffs Sevastopol

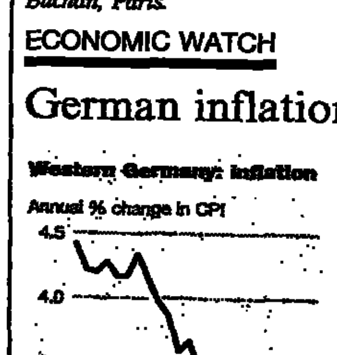
Russian officials yesterday rebuffed the attempt of Sevastopol, the Crimean port city, to declare itself a part of Russia earlier this week. A political gift to Kiev on the day Ukrainians are celebrating their third anniversary as an independent state, Russia's move is another indication of the thaw in relations between the two Slav neighbours. "Russian politicians do not plan to take advantage of Ukraine's internal problems and warm their hands over the hardships of others," Mr Mark Urnov, an adviser to Russian President Boris Yeltsin, said yesterday. The city council of Sevastopol, home port to the contested Black Sea Fleet and part of a region which elected an openly separatist president in January, has proclaimed the city Russian territory. Kiev said the move had no legal force but chose not to take any punitive actions. *Chrystia Freeland, Moscow.*

Rocard set to quit French post

Mr Michel Rocard was yesterday said by aides to be preparing to resign as mayor of Conflans St Honorine, a small town outside Paris, which is the former Socialist party leader's last elected post in French politics. His impending resignation in favour of Mr Jean-Paul Huchon, his deputy mayor and righthand man at the Socialist party, would appear to reflect his growing disenchantment with politics. Mr Rocard was ousted as party leader on June 19 after he led the Socialists into a heavy defeat in the European parliament elections, though he himself won a seat in the Strasbourg assembly. But aides said Mr Rocard was not planning to quit politics altogether. His ouster from the Socialist leadership has left wide open the question of who will be the party's presidential candidate next year, unless Mr Jacques Delors, the retiring European Commission president, decides to run. Until the mantle of the presidential candidacy settles definitively on someone else, Mr Rocard may be keeping open the option of a come-back. *David Buchan, Paris.*

ECONOMIC WATCH

German inflation on rise



Source: Datastream

German inflation probably bounced back up to 3 per cent in August from 2.9 per cent last month, according to price data from two key west German states. In July, German inflation fell below 3 per cent for the first time in three years, but high coffee and oil prices meant that the trend to falling inflation was reversed this month. Yesterday, North Rhine-Westphalia reported that prices in the state were up 0.1 per cent in August for a year-on-year increase of 2.8 per cent. Prices in Baden-Württemberg rose 0.2 per cent for an annual 3.1 per cent increase. These two states, together with Bavaria and Hesse, form the basis from which the government produces provisional inflation data for all of west Germany each month. Analysts said the expected rise was not surprising and partly reflected seasonal factors. The rate was likely to remain around 3 per cent for the rest of the year before falling to around 2.5 per cent at the start of 1995. *Reuter, Frankfurt.*

■ Dutch industrial production slipped 1 per cent in June on a seasonally adjusted basis from May, but was 3 per cent higher than 12 months earlier, the central statistics bureau reported. Adjusted industrial output for the

Business urges links with North Korea

John Burton reports from Seoul

South Korea's main opposition Democratic party is not normally known for being pro-big business, but this week it publicly voiced what many executives are saying in private about the government's refusal to allow economic co-operation with North Korea until the dispute over Pyongyang's nuclear programme is solved.

"By maintaining the policy of linking the nuclear issue and economic co-operation, the government is losing out on economic interests in the North to other countries like the US and Japan," the party supreme council said.

It was only two months ago that South Korean companies were reviving investment plans for North Korea because of the prospect of improved relations resulting from a proposed inter-Korean summit.

South Korean companies, such as Daewoo and Samsung, are eager to enter the North to employ its cheap and disciplined workers for the labour-intensive textile and consumer electronics industries, which are losing their international competitiveness because of rising wage costs in the South.

But the sudden death of North Korean President Kim Il-sung in early July postponed the planned summit and Seoul has adopted a tough stance toward Pyongyang since then.

"South Korea is losing a golden opportunity to establish an early economic presence in the North, while giving a helping hand to the reformers in Pyongyang who want to open North Korea to foreign investment," said one east European diplomat. "A conciliatory economic policy would stabilise North Korea and prevent its sudden collapse, which Seoul fears."

South Korean President Kim Young-sam's recent hardline attitude toward the North is seen as an attempt to win the domestic political support of conservatives, while avoiding giving a stamp of legitimacy to the North's new and uncertain leadership under Mr Kim Jong-il.

"The government is facing a dilemma on the economic issue with North Korea. It wants to use economic co-operation as a leverage to win political concessions from Pyongyang on the nuclear question and other issues.

But it also fears that if it waits too long, it would allow Japanese and US companies to establish a foothold in North Korea before South Korea does," said Mr Koh Il-dong, a researcher on the North Korean economy at the state-funded Korea Development Institute.

North Korea is soliciting IBM and other US blue-chip companies to invest in the country's first free trade and economic zone in the Rajin-Sonbong region in expectation of improved relations with Washington. Japan already has a presence in North Korea through a number of small joint ventures managed by pro-Pyongyang Korean-Japanese.

South Korea has also forged tentative business ties with the North, with inter-Korean trade amounting to $113m (£73m) during the first seven months of this year.

Lucky-Goldstar and a few other South Korean companies are using North Korean factories to reprocess garments. Seoul is also a big importer of mineral products, such as gold and zinc, from the North, which enjoys a heavily lopsided trade surplus with the South.

It is clear the South Korean government is preparing to support a significant economic leap into North Korea if the recent framework agreement between Washington and Pyongyang bears fruit and solves the nuclear dispute.

Seoul has heavily lobbied the US to win its support for the supply of South Korean light-water reactors to replace the North's dangerous graphite ones as part of the nuclear deal.

Seoul is also studying plans to provide electricity to North Korea to reduce energy shortages during the 8-10 years that it would take to build the light-water reactors.

The South Korean conglomerates want to undertake other infrastructure projects in the North. Hyundai has expressed interest in rebuilding the North's poor rail and road networks as well as establishing tourism facilities and a ship repair yard.

Several producers of cement and construction materials, such as Ssangyong and Tongyang, have discussed the possibility of establishing facilities in the North to provide supplies to reconstruction projects.

Accord will give Palestinians control of five services

Arafat extends grip over West Bank

By Julian Ozanne in Gaza

Israel and the Palestine Liberation Organisation were due last night to initial an agreement in Cairo to extend Palestinian powers across the Israeli-occupied West Bank.

Under the agreement, known as early empowerment, Palestinians will assume authority over five West Bank services of tourism, health, social welfare, direct taxation and education for up to 1m people.

The Israeli military-run Civil Administration will control all other government functions until after Palestinian elections due in December.

The handover gives Mr Yassir Arafat, PLO chairman, his first formal foothold in the heart of the West Bank.

The PLO had pressed Israel for a speedy extension of powers over the West Bank, saying it was vital to maintain the peace momentum and shore up fragile Palestinian support for Mr Arafat's concessions to Israel in negotiations since last August.

With early empowerment under way, Mr Arafat will be better placed to fend off critics who said he would end up as mayor of a desert strip and Israel would drive a wedge between Gaza and the West Bank.

Talks can now begin about the much more difficult third stage of the process: redeployment of Israeli troops out of Palestinian population centres in the West Bank and the holding of the Palestinian elections.

Education will be the first significant service handed over to Palestinian administration. Israel has said it will complete the full transfer to Palestinian control by the start of the school year on September 1.

The Civil Administration yesterday handed authority to Palestinians over 150 government-run schools, educational institutions and offices of the education department in the Ramallah area.

Mr Naim Abu al-Humos, Palestinian director-general of education, said the West Bank's six remaining school districts would be transferred by August 29, including buildings, supplies and textbooks at present owned by the Civil Administration.

The success of the handover will determine the pace of peace talks and depend largely on the PLO's ability to fund services. Already, the cash-strapped Palestinian National Authority is struggling to administer for the 850,000 residents of Gaza-Jericho.

Tax collection is almost non-existent and the PNA treasury largely depends on the slow drip of international aid and the transfer of Customs duties collected by Israel on Palestinian imports, so far worth Shk13.5m (£2.8m).

Israel has voiced concern about the PNA's ability to fund West Bank services amid predictions that revenue collections, particularly of income tax, which yielded Shk143m last year, would fall far short of the money collected by Israel during its occupation. The PNA treasury will be deprived of West Bank Customs revenues until after the elections.

Israel and the PLO will make a joint approach to international donors to seek allocation of a contingency fund worth $9.5m (£6.3m) a month for six months. The extra money comes on top of $13m a month the PNA can draw from a special fund for the running expenses of its administration in Gaza-Jericho.

Mr Nabil Shaath, chief PLO negotiator, claimed yesterday the World Bank had made a serious error of judgment by not infusing emergency funds quickly into the self-rule areas; he warned that economic problems and high expectations would lead to unrest.

Naim Abu al-Humos, Palestinian Authority director of education, giving the thumbs-up after Israel had transferred education to Palestinians in the occupied West Bank yesterday. Col Baruch Nagar of the Israel army Civil Administration looks on. Reuter

Gaza security chief criticises leadership

By Julian Ozanne in Gaza

The commander of the Palestinian security forces said yesterday he could prevent attacks against Israelis by Islamic extremists in Gaza and improve security if he was given the political go-ahead by Mr Yassir Arafat, PLO chairman.

In an interview in his Gaza headquarters Maj Gen Nasr Yussuf said the Palestinian "political leadership" had failed to take clear decisions about curbing attacks by Hamas guerrillas and confiscating weapons. He also said the autonomous operations of Mr Arafat's 500-strong armed plain clothes Mukhabarat, or Palestinian Preventive Security Apparatus (PPSA), made security enforcement much more difficult.

The remarks expose the frustration within the professional military and police establishments with Mr Arafat's murky security policy and his determination to maintain competing security forces which report directly to him.

The rare public criticism of Mr Arafat's leadership is likely to spark a fierce internal Palestinian debate and be seized upon by Israel as evidence that Mr Arafat is not fully committed to his security obligations under the peace accords.

Israel has accused the Palestinians of easing up on measures against extremist guerrillas and said yesterday the PLO had released four Islamic activists they say are responsible for the May 20 killing of three Israeli soldiers in Gaza.

Gen Yussuf confirmed that all 40 Hamas activists arrested recently had been released from his custody and said: "The political leadership should identify a clear-cut policy on how to deal with the armed opposition elements and the use of weapons." He added that "for sure" his 7,200-strong force could deal with Hamas if given the authority to do so.

The general warned that if Hamas was not confronted soon it could grow in strength. He said the police had been operating under a policy of confiscating weapons on the street but that this policy had now been suspended. He said there was an urgent need for a unified and integrated security command.

A senior official in Mr Arafat's "Office of the President" denied there was mounting tension between the military and the PLO chairman but admitted there were divisions of opinion over what measures should be taken against Hamas. "We can't do what the Egyptians or the Algerians are doing and risk a civil war here," he said. "We will not allow people to break the law but there are limits and we can't risk breaking the whole country apart."

Gen Yussuf said his police force was desperately in need of funds to pay salaries and meet running costs. He said he had received only $880,000 (£570,000) from "the political leadership" and had run up debts worth $900,000 to local traders for food, clothes and furniture.

The general said salaries of $260 a month had led at least four policemen to sell their weapons to extremists in Gaza and he had dealt with a few cases of bribery and smuggling.

Britain has pledged £5m for salaries and equipment, and donors are in the process of organising a special "cop" fund worth $7m a month to pay for salaries, training and running expenses of the police as they get set to spread out from Gaza-Jericho to the West Bank. But Gen Yussuf said the money was slow in coming from donors to the PLO and from the PLO political leadership to the police force.

Oil-rich Nigeria queues for petrol

By Paul Adams in Lagos

At first glance, business seems to be booming at the Mobil filling station in Awolowo Road, Lagos. The forecourt is jammed with cars in a queue which stretches two abreast a quarter of a mile down the road. But the pumps have been dry for nine days and this month's sales are about 80 per cent below average.

"Some of these drivers have been waiting here for nine days to buy fuel. I am getting to know some of them quite well," says Mr Alex Enwesi, the manager of the Mobil station.

"I don't know when the next delivery of fuel will come, and these people are prepared to wait because they know that here when I have fuel they can buy it at the official price."

Mr Enwesi has four kinds of insurance for staff, cash, stock and equipment, as well as the Mobil corporate cover, and life assurance for himself. The risk of fire with all these vehicles, fights when tempers get short or even riots are never far away.

The police and the army are not far away either but sometimes they are more of a hindrance than a help. The sight of a military patrol van and armed troops at the head of an irate queue raises the temperature every time.

Overnight queues for fuel have become a common sight for among Nigerians who, for years, have taken very cheap fuel for granted.

The strike against military rule by Nigeria's oil workers is in its seventh week and in Africa's richest oil producing country petrol, diesel and kerosene are precious commodities.

Oil marketing companies estimate that fuel supply is less than 20 per cent of normal demand in the Lagos area, which accounts for about 40 per cent of Nigeria's demand.

> 'Some of these drivers have been waiting here for nine days to buy fuel. I am getting to know some of them quite well.'

Other than on foot, there is no alternative to road transport and for most of the estimated 6m people in the sprawling city there are three choices: queue and hope to buy fuel at the official price of N3.25 (a mere 5p) a litre; buy it on the black market for anywhere between N30 and N50 a litre; or do without fuel.

Nigeria's main oil refinery, in Port Harcourt, is out of action until Monday at the earliest due to a strike by workers in protest at action by heavy-handed army guards. The next biggest refinery, Warri, has not resumed operation since an overhaul in April and the small refinery in Kaduna in the north produces little fuel.

Most of the 16 state-owned depots have very little product, tanker drivers in the south are still on strike and the private sector's terminals in Apapa port, Lagos, get occasional imports by ship.

All of this is bad news for the filling stations who play by the rules. "Being a dealer is not a lucrative job at present" admits Mr Enwesi, who took over his service station after a successful career in marketing with Mobil Nigeria, one of the big six fuel marketing companies in Nigeria.

"I make my living as a dealer from commission selling Mobil's products. When supply is not made regularly, when you want it, it is hard to cover overheads. Before the strike I sold about 800,000 litres of petrol and kerosene a month, now I am getting about 150,000."

Unlike some dealers, Mr Enwesi does not put fuel aside. If a station is caught hoarding or selling into jerry cans the military Task Force on Petroleum Products can close him down.

The phone in his office rings. "Yes, the workshop is open. Fuel? that is a scarce commodity." Mr Enwesi apologises to the caller, not a regular customer just someone desperate.

Mr Enwesi's predicament is typical of millions in Lagos. "They are striking for civilian rule and democracy, which I support, but it is hurting the common person. What pains me most is that there is no sign that the government and opposition are sitting down to talk. I don't see an end to it."

Pakistani fears grow of fresh international criticism

Opposition backtracks on N-bomb

By Farhan Bokhari in Islamabad

Pakistan's opposition Moslem League party yesterday tried to backstep from a statement by Mr Nawaz Sharif, its leader, who had claimed Islamabad had produced nuclear weapons.

His comments, at a rally in Kashmir on Tuesday, sparked fears of fresh international criticism against Pakistan, which has been suspected of producing nuclear weapons for the past decade. Last week, Pakistan was accused of involvement in an effort to smuggle weapons-grade plutonium out of Germany. Islamabad denies the charge.

Pakistan and India have fought two wars over Kashmir which both nations say belongs to them. They came near a third war in 1990, and many fear that any future battle could quickly escalate into a nuclear exchange.

Like India, Pakistan is believed to have all the necessary components for a bomb and the ability to assemble one in a matter of days or even hours.

Pakistan's military and political leaders say the nuclear programme is necessary to deter its arch-rival India. But successive governments, including Mr Sharif's, have maintained the country has stopped short of building a bomb.

Mr Sharif refused to answer questions from journalists after a three-hour meeting of his party's top leaders in Islamabad yesterday.

Instead, Mr Chaudhary Shujaat Hussain, an opposition senator, accused the government of Ms Benazir Bhutto of "exploiting the issue surrounding Mr Sharif's statement, to divert attention from a planned opposition campaign next month".

But some officials privately suspected Mr Sharif had sparked the controversy possibly in an effort to seek public support, especially from nationalists, ahead of the anti-government protest planned to begin in about three weeks.

Others, however, suggested he had probably miscalculated the sensitivity of the issue. "Sharif must now be thinking it was wrong to make such a statement in public. The nuclear (proliferation) issue can be extremely testy in the west," one senior western diplomat said last night.

Meanwhile, the Pakistani government lashed out at the opposition leader and reiterated its claim that the country's nuclear programme was only for peaceful purposes.

"He (Mr Sharif) has taken it on himself to topple the government at all costs, even if it's at the cost of the national interest," Mr Sardar Asseff Ahmed Ali, foreign minister, declared in an interview on state television last night. "We do not intend to make nuclear weapons.

"His (Sharif's) remarks are based on total fabrication," he added.

Syrian voters face limited choice

By James Whittington

There were no official campaign debates, no opinion polls and no election manifestos, but voting in Syria's parliamentary elections opened yesterday with more than 7,000 candidates standing for 250 seats in the People's Assembly.

Voting ends today and the results are expected at the weekend.

Since all important policy issues, such as the Middle East peace talks and Syria's foreign policy are strictly off-limits, voter choice was severely limited. Not only did all the candidates campaign in support of President Assad's policies, but the distribution of seats means that only one third of the assembly is directly elected. The others are chosen by the two official political parties. The ruling Baath party nominates 120 of its party members and the National Progressive Front (NPF), which is itself under the Baath party, is allocated 40 seats.

The rest is left to the "independent" candidates who in this election have been dominated by Syrian businessmen keen to play a role in pushing through faster economic reforms. Many are frustrated at the slow pace at which Syria is gradually liberalising its economy.

With Syria's considerable potential for economic growth constrained by state monopolies and command-economy structures, the business community is keen to see a representative voice in the parliament and the independent vote is expected to swing its way.

Sri Lanka plans to lift Jaffna embargo

Sri Lanka's new government is planning to remove an economic embargo on the northern Jaffna peninsula controlled by Tamil rebels, Mr Anuruddha Ratwatte, deputy defence minister, said yesterday, Reuter reports from Colombo.

"We are discussing lifting the embargo with the service chiefs because we want to relieve the pressure on the local population," he stated. The people of Jaffna were suffering from a scarcity of food, and high prices of basic goods.

The previous government imposed a goods embargo on the north covering 42 items, including batteries, electronic toys, sweets, bullion, medicines, fuel and matches. It said the goods could be used by the Tamil rebels in their war against government forces.

The Liberation Tigers of Tamil Eelam have been fighting in the north and east for a separate state for their minority Tamil community. Their stronghold is Jaffna.

Mr Ratwatte said the government's priority was to end the war, which has cost more than 30,000 lives, through a negotiated political solution. "The prime minister has asked them to come for talks. We are waiting for a response."

The government would confine to the north and east a state of emergency, enforced countrywide after last week's parliamentary elections. The People's Alliance triumphed in last week's election, defeating the United National party which had ruled for 17 years.

UN to study Kuwaiti claims from Gulf war

By Frances Williams in Geneva

The United Nations Compensation Commission charged with recompensating victims of Iraq's 1990 invasion of Kuwait is to start examining a $1bn (£600m) claim from the Kuwait Oil Company for the cost of putting out hundreds of oil well fires, Frances Williams reports from Geneva.

The fires were deliberately started by Iraqi troops as they retreated from the US-led allied advance.

The commission, which has so far received a total of nearly $160bn in claims, has already begun to pay out small amounts of compensation to individuals but this is the first big commercial claim it has tackled.

The reimbursement requested by the Kuwait Oil Company, "in excess of" $950m, is part of an overall compensation demand for nearly $100bn filed by the Kuwaiti government. Other claims relate to damage to oil reservoirs and loss of crude oil production following the oil well fires.

An expert panel will be set up to assess the Kuwait Oil Company claim which the commission describes as of "symbolic character" for Kuwait "because of its economic, environmental and health hazard connotations".

However, even if agreed, the compensation commission has no money at present to reimburse the company. Satisfaction of this and other claims will have to await funds generated by UN-approved Iraqi oil sales.

NEWS IN BRIEF

Supermarket sales up in Japan

Supermarket sales rose in Japan last month for the first time in 23 months, as tax cuts and a hot summer spurred spending, Gordon Cramb reports from Tokyo. The Japan Chain Stores Association said yesterday that July data from member outlets showed an increase of 2.8 per cent on the same month of 1993. Food sales rose 2.6 per cent, with soft drinks in demand, while turnover in home electric appliances jumped 15.9 per cent, reflecting purchases of air conditioners and fans.

Tax rebates accorded in a government stimulus package for the economy fed through into pay packets from late June, and have yet to show up in other consumer spending data. Tokyo department store sales for July showed no revival – nationwide figures are due today – although such store groups have suffered as a result of customers switching to discount retailers.

Evidence of a consumer-led recovery durable enough to outlast the heatwave remains thin. Based on less timely figures covering the three months to June, the Ministry of International Trade and Industry said yesterday sales of Japanese retailers as a whole were down 2.4 per cent from the second quarter of last year.

TV ratings row erupts

A.C. Nielsen Company of Japan, the Japanese arm of the US television ratings group, is at the centre of a growing row within the country's closed television rating and advertising industries, Emiko Terazono reports from Tokyo.

The company has been accused by Japanese television networks of creating "confusion" within the advertising sector with its new rating system, which it plans to introduce in November. Nielsen wants to launch a system based on individuals, rather than households as currently offered by Video Research, a rating agency owned by television networks and leading advertising companies. The association of private television networks yesterday demanded that Nielsen retract its plans, saying that the new system was unreliable, and that a "consensus had yet to be reached among parties concerned".

Although the Japanese television advertising market has become one of the largest in the world, it has been tightly guarded by a few large companies, and the television networks, which charge corporate sponsors with high fees based on the ratings. Companies placing advertisements have been increasingly frustrated with Video Research's outmoded ratings system based on households, where it didn't matter whether "a cat or dog was watching as long as the TV was switched on".

China starts HK planning

China's National People's Congress (NPC) yesterday started discussions on disbanding Hong Kong's three tiers of government, which it plans to do on resuming sovereignty on July 1, 1997. Louise Lucas reports from Hong Kong. The NPC Standing Committee, is discussing a motion to terminate the existing structure and build new councils after the takeover. This is in keeping with China's repeated refusals to honour the extended democracy inherent in election to the new councils following the passing of Governor Chris Patten's political reform bill on June 29.

SHOCK WAVES HIT DEFENCE CONTRACTORS

Pentagon in bid to cancel new weapons

By George Graham in Washington

A Pentagon order to examine delaying or cancelling most of the armed services' biggest new weapons systems has sent shock waves through the defence industry and Congress.

Defence contractors, while officially silent on an issue that they say is the Pentagon's decision, are warning that serious cuts in procurement programmes could mean the US will enter the second decade of the next century with ageing equipment and no technological edge over its opponents.

And some members of Congress say the order, which tells the services to produce plans for cancelling or postponing 10 of their largest equipment projects in order to fit inside the budget envelope, is new evidence that the Pentagon needs to rethink last year's Bottom Up Review.

The review spelt out the force structure that would be needed in order to be able to fight two nearly simultaneous major regional conflicts. But some critics say that goal is too ambitious to fit in today's budget - either the mission must be scaled back, or the money available for defence must be increased.

"Now the question is whether they are going to be true to the Bottom Up Review with the budget they have. It might make the Congress and the administration think whether they are going to abandon that or find more money," said Mr Don Fuqua, president of the Aerospace Industries Association.

The order to rethink the major weapons programmes, which came in a memorandum from Mr John Deutch, the deputy defence secretary, has also anguished members of Congress, who have only just agreed on the final version of their defence authorisation bill for next fiscal year.

Although the Deutch memo is part of the budget process for fiscal 1996, some members are irked by the thought of wasting money on programmes which already face the axe.

The programmes targeted by Mr Deutch include the air force's F-22 fighter, the army's Comanche helicopter, the navy's Aegis destroyer and the marines' V-22 Osprey tilt-rotor aircraft.

Critics say capability must be scaled back, or the money available for defence must be increased

Mr Garry Riley, vice-president of Lockheed and project manager for the F-22, declined to comment on the Pentagon's plan, but argued that the F-22, which would replace the current F-15 Eagle and is built jointly by two Lockheed divisions and Boeing, would be needed in the 21st century.

"The F-15 is a super airplane. It is able to hold its own with today's threat. But 20 years from today it won't be able to hold its own and that's why we need the F-22," Mr Riley said yesterday.

Mr Deutch stressed that his list was of candidates for cancellation or postponement, and no decisions had yet been made. But he acknowledged that the budget crunch was forcing the Pentagon to trade some of its long-term modernisation in order to maintain good operating conditions for the troops today.

"The fact of the matter is we are delaying modernisation and capitalisation for near-term readiness and people," he said, adding that the less sophisticated enemies faced by the US today left some room to do this.

Cuban exiles await the green light from US

James Harding senses a growing feeling of optimism among the country's expatriates in Florida

The 2506 Brigade is in a belligerent mood. At its Miami headquarters, the members of the Bay of Pigs invasion force that made an abortive bid to overthrow President Fidel Castro in April 1961 think it is time to take another shot at the Cuban leader.

"We sense this is the beginning of the end," says Mr Jorge Marquet, former infantryman in the brigade's 5th battalion. "A revolution is able to succeed at any moment. 2506 Brigade wants to be with our brothers in Cuba. We are again willing to sacrifice our lives."

Washington is unlikely to share some of the brigade veterans' enthusiasm for another US-sponsored expeditionary force. The Bay of Pigs invasion, in which some 1,500 anti-Castro Cuban exiles were landed on the island's southwest shore in a US-financed and directed operation only to be defeated and captured within four days, is widely seen as an exemplary military bungle.

However, 2506 Brigade veterans include some of the most prominent members of the Cuban American community. Together, and represent an influential cross-section of opinion.

Most conspicuous and politically astute of the 2506 alumni is Mr Jorge Mas Canosa. Mr Mas, a member of 2506 Brigade's naval force and now one of Miami's leading businessmen, is the founder and chairman of the Cuban American National Foundation, the community's most powerful lobby.

On Friday Mr Mas flew up to Washington with Florida's Governor Lawton Chiles for a private meeting with President Bill Clinton after the US broke with 28 years of policy and announced that Cuban refugees would no longer be welcomed in the US. Instead, they would be taken to a detention camp at the US Naval Base at Guantánamo Bay in Cuba.

Following the meeting the US announced it would tighten its embargo on the island, a move the foundation endorsed. "We support the whole package," one official said.

However, not all Bay of Pigs veterans support the bar on refugees entering the US. Mr Arturo Cobo, 3rd battalion veteran and director of the Key West Transit Centre for Cuban Refugees, advocates an international embargo and rejects the new detention policy.

His priority is "assisting my sisters and brothers escaping Cuba for freedom in the US." Despite the change in policy that has ended the tide of Cubans coming through his centre, Mr Cobo keeps the doors open in the hope that "things will get back to normal immigration policy."

President Fidel Castro: Cuban exiles hope rising unrest on the island will unseat him Reuter

Adopting an even tougher line is Mr José Miro, 2nd battalion infantryman and current president of the Brigade. Mr Miro is drawing up plans for a new Cuban-American invasion force. On Monday night Mr Miro, a Cuban-trained lawyer and now retired life insurance salesman, met his board of directors at the brigade's headquarters and memorial hall.

On the back wall of the meeting room hang the pictures of the 114 Bay of Pigs martyrs; left of the speaker's podium a perspex box contains a model of Havana's future Cuban Memorial Museum which will chart the fight for independence from the battle against the Spanish to the overthrow of Fidel Castro.

At the top of Mr Miro's agenda was the need to start recruiting a new force to overthrow the Cuban president. Mr Miro did not foresee any problems in gathering the 25,000 people he estimates he needs to defeat Mr Castro.

"All we need from the US government is the equipment and a green light," he says. He subscribes to the pressure cooker theory - if the Cuban people are forced to stay under deteriorating conditions caused by a full blockade, they will ultimately rise up and overthrow their oppressor.

However, Mr Castro's imminent downfall has been predicted for many years. In front of Mr Miro's office hangs the 2506 Brigade standard. It was handed to President John F. Kennedy after the US paid a $53m ransom for the release of Bay of Pigs captives held in Cuba for 20 months.

At the presentation in Miami's Orange Bowl, President Kennedy said: "I can assure you that this flag will be returned to this brigade in a free Havana."

That was December 1962 and the standard is still in Miami.

Durable goods orders fall 4.2%

By James Harding in Washington

US durable goods orders fell 4.2 per cent in July, the biggest decline in 2¼ years, the Commerce Department reported yesterday.

The drop in demand surprised analysts, many of whom had been predicting a moderate rise following strong increases of 1.2 per cent in June and 1.4 per cent in May.

The drop in new orders by $6.4bn to a seasonally adjusted $144.9bn was largely attributed to a decline in orders for transportation equipment, which fell by 15.8 per cent last month to an adjusted $31.91bn.

The substantial fall reflected the growing practice in the motor vehicle and parts industry of shutting down for two weeks in July, the Commerce Department said. Analysts expected a resurgence of motor industry orders in August and September as 1995 models went into production.

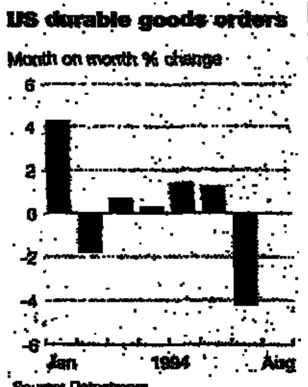
The 4.2 per cent drop was the largest month-on-month drop since a 5.4 per cent drop in December 1991. But new orders are up 13.3 per cent over the same period a year ago.

Mr Ron Brown, commerce secretary, said the drop in durable goods orders did not indicate an economic slowdown. "We think the economy is ticking along well," he said.

The markets reacted positively. Although analysts had predicted a moderate rise in durable goods orders of between 1 per cent and 3 per cent, the drop seems to have been welcomed as evidence there will be a slowing in economic growth in the second half of this year. Mr Ram Bhagvatula, Citibank's chief economist in New York, welcomed the drop, saying that in combination with the Federal Reserve's rate rise last week, the economy could expect to see a moderation in production in the second half of the year.

US durable goods orders

Month on month % change



Source: Datastream

Zedillo vote passes 50% mark in Mexican poll

By Damian Fraser in Mexico City

Mr Ernesto Zedillo of Mexico's ruling Institutional Revolutionary Party won more than 50 per cent of the vote in Sunday's presidential election, according to the latest figures released by the Federal Electoral Institute.

The PRI vote has edged above the symbolically important 50 per cent mark thanks to its strong support in rural areas, where ballots have been counted last. With about 90 per cent of results in, the PRI vote stood at 50.1 per cent, the centre-right National Action Party at 26.8 per cent, and the leftist Party of Democratic Revolution at 17 per cent. The turnout in the election was 77.6 per cent, far higher than had been predicted.

While the election is widely regarded to have been much cleaner than those in Mexico's past, Civic Alliance, the most prominent group of election observers, has reported widespread irregularities that in says call into question the legality of the result.

In 34 per cent of polling booths surveyed the vote was not secret, in 16.5 per cent voters were put under pressure, in 10.2 per cent at least one person voted who was not on the polling station's electoral list, and in 8.2 per cent people were allowed to vote who had indelible ink on their thumb suggesting they had voted before.

The latest polling figures show the PRI having won all 32 states in Senate elections, having narrowly defeated the centre-right PAN in the state of Jalisco, and at least 278 of the 300 districts in the election for the Chamber of Deputies. Under Mexico's complex electoral system, which assigns a proportion of congressional seats to the opposition, the ruling party will have 95 of the 128 seats in the Senate, and 300 of the 500 seats in the Chamber of Deputies.

The big PRI victory led to falls in long-term interest rates yesterday, with rates on one-year paper declining to 12.43 per cent. However 28-day paper yields rose and the stockmarket was down nearly 1 per cent by mid-morning.

Clinton pulls out the stops for trade deal fast-track

By Nancy Dunne in Washington

President Bill Clinton will win an important victory if he succeeds in his attempt to get Congressional renewal of fast-track authority to negotiate new trade deals along with legislation to implement the Uruguay Round.

His trade officials have already had to severely weaken language allowing inclusion of labour and the environment in future deals. This has infuriated many Democrats but also left unsatisfied many Republicans, who would like totally to forgo the option.

Mr Harry Freeman, a veteran of many trade battles in Washington, has concluded that even if the president gets his fast-track, he will have paid a heavy price. "This fast-track has less freedom for the executive branch," he said. "I've never seen a fast-track that had such specificity in the negotiating goals."

Besides excluding labour and environment as negotiating aims, the current fast-track language agreed with House Republicans specifically endorses negotiating trade in services, financial services and telecommunications.

It orders the Administration to "maintain vigorous and effective disciplines on subsidies practices with respect to civil aircraft products" under the multilateral subsidies code.

The fast-track concept was developed in 1974 when Mr Dick Rivers, then a staffer at the Senate finance committee, wrote a memo suggesting Congress cede to the executive branch authority to negotiate trade deals and promise that any trade agreements reached would be considered by Congress on "a fast-track."

This meant that any deal would get a simply up or down vote with no Congressional amendments.

"Each house of the Congress can even now change the procedures in a New York minute," he says now. "But without a fast-track there won't be significant trade negotiations."

This is well understood by the Clinton Administration, which could have waited until next year to push for a fast-track.

But it badly wanted the authority for the president when he goes to Jakarta for the annual meeting of the Asian Pacific Economic Council, and Miami for the Summit of the Americas.

The Apec agenda has grown increasingly ambitious; it could propose negotiations for a regional investment treaty at the very least. In the Americas, there is a free trade deal long promised to Chile to pursue, and the hemispheric economic integration under study.

The former executive director of the MTN Coalition, the business group which lobbied for years for passage of the Uruguay Round, Mr Freeman was sceptical about a fast-track fight this year. "But when the administration decided to go for fast-track it crossed the Rubicon. There is no backtracking. A defeat means red faces in Jakarta and Miami."

Defeat is still possible. But Mr Freeman is more optimistic about its approval than some trade officials. But, he said, "it has become a matter of politics rather than trade policy".

Ford and Mazda plan Thai truck deal

By Emiko Terazono in Tokyo

Mazda Motor, the Japanese carmaker, yesterday announced plans to launch a joint venture with Ford of the US to produce pick-up trucks in Thailand. Ford holds a 24.5 per cent stake in the Japanese group and this year has strengthened its representation on the Mazda board.

The companies have started feasibility studies, to be completed next spring, of the south-east Asian pick-up truck market, after which details of the venture will be decided. Production is set to start in 1998.

The companies plan to make a pick-up truck based on Mazda's multi-purpose vehicle. Mazda has a joint venture production line with Japanese and Thai companies in Bangkok. Mazda said the Ford venture would run separately from the existing plant, now working at full capacity.

Mazda holds 4 per cent of the Thai pick-up truck market, trailing Japanese car makers Isuzu, which holds 31 per cent, and Toyota, at 27 per cent. Ford only has a 0.2 per cent share. Pick-up trucks account for 90 per cent of Thailand's commercial vehicle market.

Japan has eyes for Vietnam's market

Many companies are studying the possibility of investing, writes **Michiyo Nakamoto**

When Japan's Prime Minister Tomiichi Murayama arrives in Hanoi today, his Vietnamese hosts will be hoping that their guest, in true Japanese tradition, does not arrive empty-handed.

For whatever small gift Mr Murayama may bring with him, whether it be a rumoured expansion of trade insurance coverage or even a murmur of support for greater trade, is likely to have a favourable effect on economic relations between the two countries.

While Japan is Vietnam's largest donor of official development aid, and responsible for 27 per cent of the trade Vietnam does with the rest of the world, it has contributed only about 5 per cent of the value of foreign direct investment in Vietnam and ranks seventh after countries such as Taiwan, Hong Kong and others in the Asia-Pacific region.

"In many respects, the conditions are not yet ripe for Japanese companies to invest in Vietnam," says Mr Morihito Kosuda, of Nissho Iwai, a Japanese trading and publishing company.

It is true that in the past few years, interest in Vietnam both as a market and manufacturing base has spread considerably among Japanese businesses. A wide range of companies, from machinery makers to financial institutions, have opened offices in Vietnam; some manufacturers have started to implement local production plans.

Mitsubishi Materials and Nihon Cement have tied up with a Vietnamese public corporation to build the country's largest cement facility with a capacity of 2.3m tonnes a year.

Japan's Murayama: Hanoi hopes he comes with gifts Reuter

Mitsubishi Motors and Mitsubishi Corp, the trading house, have set up a joint venture company with Proton, the Malaysian vehicle maker, and a Vietnamese public corporation, to make small buses. Production of an initial 1,000 buses a year is scheduled to start early next year and the company hopes to make passenger cars eventually.

Showa Plastics and Sanyo, the consumer electronics company, through their joint venture company in Singapore, are building a factory in Ho Chi Minh City to manufacture TV exteriors and video-tape recorders which they hope will eventually manufacture air conditioners, washing machines and refrigerators.

Fuji Bank, which is doing buoyant business guaranteeing letters of credit issued by Vietnamese banks, hopes to upgrade its office in Vietnam to a branch next year so that it can meet the growing needs of Japanese businesses.

Many more companies, including Sony and Toyota, are studying possibilities in the Vietnamese market.

But on the whole, Japanese companies have been relatively slow to respond to the emerging opportunities in Vietnam.

"The Vietnamese market will eventually grow into a very big one, there is no disagreement on that," says Mr Kosuda. "Where opinion is divided is on the short to medium-term prospects."

Japanese companies frequently cite the poor state of Vietnam's infrastructure as a deterrent to investment.

"If you go to Ho Chi Minh City, this is immediately noticeable," says Mr Hiroshi Matsumoto, of the trading company Mitsui, which has been exporting oil and sea food from Vietnam to Japan and importing machinery and chemicals from Japan. "Power shortages are frequent and the basic infrastructure, such as ports and roads, is lacking".

The relative lack of information on Vietnam and the difficulty of procuring materials, combined with the inherent caution that Japanese businesses have towards investing overseas, has also held back many companies.

"Vietnam is going through a period of reconstruction after the war and of transition from a social planning economy to a more market-oriented one at the same time," Nissho Iwai's Mr Kosuda says. "That makes it very difficult to ascertain the true state of the markets there."

Honda, for example, despite having more than 90 per cent of the Vietnamese market for motorbikes, exports neither motorbikes nor vehicles. Many were sold into Vietnam prior to the Vietnam war, while others have come in from third countries. "We don't have the information and the know-how to justify the considerable investment that would be required to start local manufacturing," a company representative says.

It is, anyway, early days for Japanese companies, which tend to take a long-term view, says Mr Kosuda. "It is only six months since the US embargo was lifted, and some Japanese companies only started to think about Vietnam after that."

Another powerful disincentive for Japanese companies, says Mr Kosuda, is the lack of an official government system supporting Japanese trade and investment in Vietnam. "The only formal agreement Japan has with Vietnam is the bilateral aviation accord signed in May."

Vietnam has much that Japan is seeking. Unlike most other oil sources in south-east Asia, Vietnam produces oil that is the right price and quality for the Japanese market, especially the electricity industry, with Japan buying 70 per cent of Vietnamese oil, according to the Japan External Trade Organisation. Oil, sea food and garments, all of which face growing demand in Japan, are Vietnam's biggest export income earners.

If the Japanese government now gives a concrete sign of its support for greater trade and investment in Vietnam, it will be sending a strong message to Japanese businesses, Mr Kosuda adds.

NEWS IN BRIEF

Lucas in German brakes contract

Lucas Heavy Duty Braking, a Lucas Industries subsidiary, has won a contract worth up to £20m ($12.9m) to supply disc brakes to MAN, the German truck-maker, for its F2000 range of heavy trucks, Reuter reports. Lucas disc brakes are already fitted to the top-of-the-range 500hp F90 tractor unit; MAN will now make them available on all models as an alternative to front axle drum brakes. Drum brakes will remain a standard fitting on the rear axle. Production at Lucas' factory in Cwmbran will be increased to meet the new contract.

Racal to supply Russian group

Racal Messenger, part of Racal Electronics, has won a contract worth more than £2m ($1.29m) to supply the Russian telecommunications service, Central Telegraph, with a wireless data network for the Moscow region, Reuter reports. Racal Messenger has also signed a distribution agreement with Sprint Networks, Central Telegraph's joint venture company with Sprint International, which covers the rest of Russia. The initial contract is for the supply of Radio-Pads and base stations for a communications system, which will include an on-line credit and debit card authorisation and security service. Trials of the system with leading banks in Moscow should begin in the next two months.

Australian order for Ericsson

Ericsson, the Swedish telecommunications company, said it had won orders worth SKr705m (£59m) to supply Telecom Australia with analogue and GSM digital mobile equipment, Reuter reports from Stockholm. "This brings the value of Telecom mobile orders from January 1, 1994 to about SKr1.1bn," Ericsson said.

The equipment provided by Ericsson will include AXE switches and radio base stations, most of which will be manufactured at the company's facilities in Melbourne. "Ericsson's Australian activities in public switching and mobile switching have increased in recent months following the selection of the company as a strategic partner by Telecom Australia," it said.

Vietnamese-Czech pact signed

Vietnamese deputy prime minister Tran Duc Luong, on a tour of former communist countries in Europe, this week signed a pact with the Czech Republic aimed at reviving trade between the once-close allies, Reuter reports from Prague. Beyond the agreement, which stipulates trade and payment conditions, the Czech finance ministry said a proposal on mutual protection of investments was being negotiated at the technical level.

US sees air travel up 5% in 1993

The US Transportation Department says 1993 was the busiest year ever for air travel between the US and other countries, with 92.5m passengers, up 5 per cent from 1992, AP reports from Washington.

US airlines carried 54 per cent of that traffic, an increase of 1 percentage point from 1992, the department said.

It was also a record year for international air freight, totaling nearly 4.7m tons, a 10 per cent increase over the previous year. US airlines carried 41 per cent of the freight traffic, also a one-point increase over 1992.

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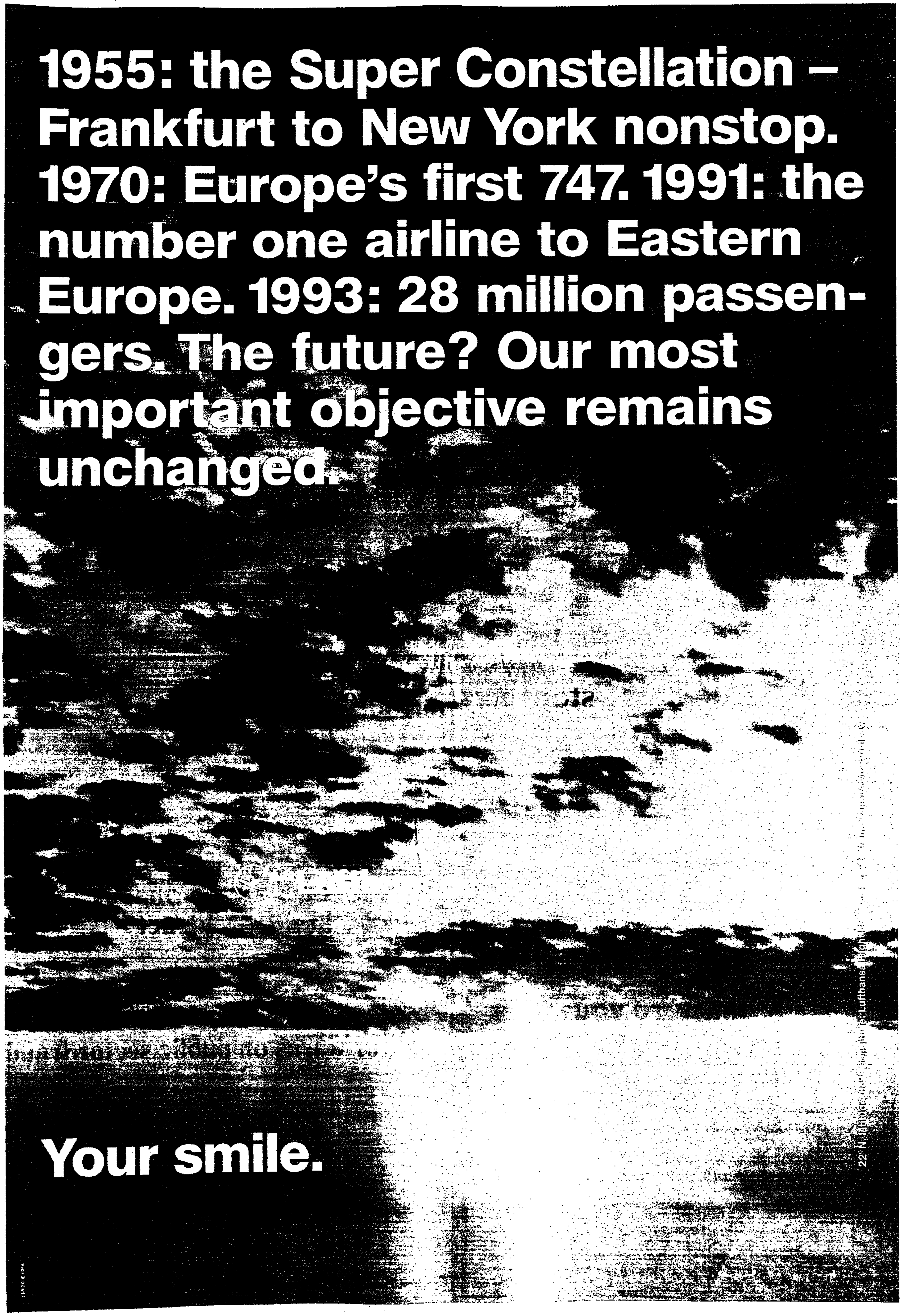


Swan Hunter survival prospects fading

By Chris Tighe

The survival prospects of Swan Hunter, the Tyneside shipbuilder in receivership, dimmed yesterday with a Ministry of Defence disclosure that disagreement on the price at which the company's sole contract should be transferred to its only prospective purchaser was a "major obstacle".

The chances of a sale of Swans to French-based Soffia/ Constructions Mécaniques de Normandie depend on a deal in which CMN would take on Swans' frigate contract from the MoD and sub-contract it to receiver Price Waterhouse.

Price Waterhouse has said that unless CMN begins paying Swans' 100-strong technical and design team by next Wednesday, August 31, they will be made immediately redundant. This would effectively end the company's chances of bidding for future work and being sold as a going concern.

Yesterday the MoD claimed CMN was unwilling to negotiate on the price for the transfer of the contract for the three Type 23 frigates Swans was fitting out when it went into receivership in May 1993, following its failure to win a crucial MoD helicopter carrier order.

"Price is the major obstacle and they are unwilling to negotiate on price," said the MoD. It added there was "little benefit" to the MoD, the defence budget or the taxpayer in CMN's "very conditional" agreement but it remained prepared to negotiate.

CMN also still has to satisfy a number of necessary requirements, the MoD said, including financial and performance guarantees.

Last month, the MoD and CMN agreed a price of £57.7m for the contract for the three frigates. Since two have been completed and handed over, between 10% and 15% of this sum, relating to the last frigate due for completion in late October, would actually change hands.

CMN's lead negotiator Mr Fred Henderson said yesterday the MoD now wanted to drop the price to £57m.

"We'd say the key obstacle is the MoD's unwillingness to go through with the price it agreed on July 19," he said.

Mr Henderson said that while CMN would not make any profit out of the sub-contract frigate deal, without it the sum it could offer for Swans would be lower, and therefore not acceptable to the receiver.

The MoD refused to discuss precise figures but said it had reduced the price because circumstances had changed, with Swans' failure last month to win the order for the Navy's landing ship Sir Bedivere, and the reduced element of risk as the last frigate was now nearer to completion.

Multi-channel television to have live trial

By Raymond Snoddy

Plans to introduce 150-channel television in the UK will take a step forward next month with the first live demonstrations of a system than can squeeze eight television channels into the space now occupied by one.

National Transcommunications, the privatised engineering division of the old International Broadcasting Authority, plans to demonstrate the digital system at the International Broadcasting Convention in Amsterdam on September 18.

NTL has a development deal with Mr Ruper Murdoch's News Corporation and PACE, the UK consumer electronics group which specialises in satellite television equipment.

All the signs are that News Corp is planning to launch a huge number of digital television channels in the UK by next autumn and possibly even earlier on its Star Television system in Asia.

The system to be demonstrated in Amsterdam will use compression technology to squeeze eight conventional television channels onto half a satellite transponder – the capacity which normally transmits a single channel.

NTL is establishing an international reputation in digital compression technology. Many specialists believe the organisation, which eventually plans a Stock Exchange flotation in London, is in the lead in establishing the latest technical standards for digital television.

Next month's demonstration will use professional television receivers costing around £5,000 but it is believed the cost of a special digital set-top box for consumers can be brought down to £500 for the launch of the service. Costs would be expected to fall rapidly once volume orders are received.

The main new use of the vast number of channels would be to introduce "near video-on-demand." This involves devoting a large number of channels, possibly as many as 50 or 60, to a small number of the latest top movies.

Separate showing of the same films are staggered so that the viewer – who will pay a fee per film watched – is only 15 or 20 minutes away from the start of a recent hit movie.

In addition there would be an increasing number of specialist channels - the equivalent of magazines of the air.

SES, the Luxembourg-based company which runs the Astra satellite system plans to launch two new satellites next year devoted entirely to digital television. It is not yet clear whether next month's demonstration will use Astra or Eutelsat, the European satellite organisation which is increasingly pressing Astra.

Cumbria mountaineer Chris Bonington is leading a protest against plans to expand military training facilities in the Northumberland National Park. The British Army wants to move its heaviest guns and multi-launch rocket systems into the area. Mr Bonington is calling for a public inquiry and is to walk across the Northumberland Army ranges in protest Picture: Stewart Bonney

Reynolds to meet US delegates

By Tim Coone in Belfast

Mr Albert Reynolds, the Irish prime minister, is to meet an influential Irish-American delegation in Dublin today prior to the group travelling to Belfast tomorrow to meet Mr Gerry Adams, president of Sinn Féin, the political wing of the IRA.

The delegation is headed by former Congressman Mr Bruce Morrison, is considered a close friend of US President Bill Clinton. Mr Morrison is expected to impress upon Mr Adams the desire by prominent Irish-Americans to see an IRA ceasefire in return for the lobbying that has been done on behalf of nationalists in the US, and which resulted in Mr Adams obtaining a temporary entry visa to the US earlier this year.

Mr Adams said earlier this week he considered his meeting with Mr Morrison's group to be important.

However, an Irish government spokesman yesterday downplayed the significance of Mr Reynolds' planned meeting with the delegation, saying: "It is not high-powered or vital to the whole (peace) process."

The delegation is also to meet leaders of the nationalist Social Democratic Labour party and the Alliance party in Northern Ireland, but last minute requests to meet unionist leaders have been turned down by both the Ulster Unionist party and the hardline Democratic Unionist party.

In a sign of growing tensions within the SDLP over the peace process, Mr Joe Hendron, SDLP MP for West Belfast, said he sympathised with the Unionists for not meeting the US delegation because "they have identified fairly strongly with the nationalist side. There is a question mark over their credibility in terms of the promotion of peace."

With an IRA ceasefire now widely expected to be announced within two weeks, rifts are also appearing in the unionist camp after a member of the the small Progressive Unionist party yesterday accused the Rev Ian Paisley, DUP leader, of attempting to destroy efforts to bring the UUP and DUP closer together.

Britain in brief

Archer says share order a 'grave error'

Lord Archer, the best selling author and former Conservative Party deputy chairman, last night said it was a "grave error" to have placed the orders to buy shares in Anglia Television, which have been the focus of a Department of Trade and Industry investigation into alleged insider trading.

In a statement issued by his solicitor, Lord Mishcon, he said that "it was a grave error when his wife was a director of Anglia to have allowed his name to be associated with the purchase and sale of shares in that company on behalf of a third party".

His statement continued: "His deepest regret is the embarrassment needlessly caused to Lady Archer in this matter".

Last week the Financial Times disclosed that Lord Archer's personal orders to buy Anglia shares were the subject of the five month DTI investigation. Since then, he has refused until last night to make any statements on the record about the affair.

Mr Michael Heseltine, secretary of State for Trade and Industry, decided at the end of last month not to launch any prosecutions after the completion of the inquiry and after receiving independent legal advice.

Lord Archer said last night that all the facts about the transactions which have been disclosed in the press over the past week were known the DTI inspectors.

Lady Archer has made no public comments about the Anglia share transactions. Anglia, now a subsidiary of MAI, said yesterday that its board of directors is "happy to accept that she did not pass on inside information".

Amoco in N Sea turbine move

Wind turbines have been chosen to provide electricity on two natural gas platforms in the North Sea in what is believed to be the first such application of alternative energy sources.

Amoco, the US oil company, is spending £200,000 to install wind-powered generators to power equipment on its unmanned Davy and Bessemer platforms off the East Anglian coast. The bigger manned platforms are unsuitable candidates for wind turbines because of their large power requirements, which can approach that of a town of 30,000 people.

The company expects to reap both financial and environmental benefits from the wind turbines. It forecasts an 85 per cent reduction in spending on diesel, the fuel normally used to power generators on unmanned platforms, and a 75 per cent cut in hydrocarbon exhausts.

It will also be able to reduce the frequency of visits to the platforms by maintenance staff.

New search for tax loopholes

Tax advisers were yesterday trying to find new ways through the ever-diminishing loophole which allows companies to avoid National Insurance contributions by paying employees in kind.

Mr Peter Lilley, social security secretary, announced on Tuesday that gemstones and fine wines would be treated as earnings and therefore be liable for National Insurance contributions.

The measure extended moves by Mr Kenneth Clarke, the chancellor, in the last Budget to prevent gold bars and other tradeable commodities being used to avoid contributions.

Other tricks to make payments in kind include giving high street store gift vouchers, paying for employees' holidays and buying cars for them.

Like gold bars, diamonds and wine, these are taxable benefits but they have not been widely favoured by employees because they are not as easily encashable.

Mr Martin Kaye, managing-director of Stoy Benefit Consulting, said: "It will never be the same again." He believed that one alternative for employers was to turn to antiques, which have a mature market in the auction rooms.

Disqualification moves double

The number of disqualification proceedings against company directors almost doubled between the second quarter of last year and this year, official statistics showed yesterday.

However, the number of resulting disqualification orders made by the courts against directors almost halved over the same period.

The Insolvency Service, an agency within the Department of Trade and Industry, launched proceedings against 170 directors between April and June this year, compared with 91 during the same period in 1993. The number of disqualification orders fell from 126 to 66 in the period.

Channel island price halved

Lihou Island, the smallest inhabited Channel island, priced at £1m two years ago was put back on the market yesterday at £500,000.

Lihou is a mile off the south-west coast of Guernsey, to which it is linked by a causeway during low spring tides. Its 40 acres includes the ruins of a 12th century Benedictine priory.

Lihou was first offered for sale in July 1991. Estate agents Knight Frank & Rutley in London and Swoffers of Guernsey came close to finding a buyer on three occasions.

Animal rights bomb suspicion

A series of firebomb attacks which caused £2m damage on the Isle of Wight early yesterday were probably the work of animal rights activists, police believe.

The blitz stretched the island's fire and rescue service to its limits and left the holiday island "on the verge of a major disaster" with reinforcements having to be called in from the mainland.

No-one was hurt, but the four bombs planted in shops in Newport and Ryde caused severe damage, forced people from their homes and sparked a pollution scare as asbestos sheets at a chemists shop exploded in the intense heat.

Barter man

Labour-controlled Hounslow Borough Council in west London, has appointed a full-time officer with a £30,000 budget to help set up bartering schemes. The officer has been given a one-year contract to establish local exchange and trading systems using credit units in place of money.

Lloyd's agent turns to Bermuda

By Richard Lapper

A Lloyd's agent is teaming up with a Bermudan securities house to raise fresh capital for the insurance market.

Venton Underwriting Agencies, a medium-sized agent, is turning to Butterfield Securities, a subsidiary of Bermuda's Bank of Butterfield, to raise up to £25m from UK, Bermudan and international investors.

The agency aims to use the money to increase business written by its three syndicates, numbers 376, 1038 and 1183 but does not plan to list the fund on the London Stock Exchange immediately.

The new initiative is one of a number of so called "dedicated" vehicles that are under consideration by managing agencies. Lloyd's is tipped to raise up to an extra £250m in corporate funds, allowing it to increase corporate capacity – the ability to accept premiums – by up to £500m for the 1995 underwriting year.

Institutional investors raised more than £800m for the market last year, with the lion's share of this capital invested in investment trusts supporting a range of agents and syndicates. The new dedicated vehicles could eventually become Lloyd's insurance companies.

Venton syndicates currently have a combined capacity of £185m. Syndicate 376, which writes non-marine reinsurance, more than doubled its capacity this year, increasing from less £48.9m to more than £100m.

Separately the Association of Lloyd's Members, the biggest organisation of individual Names, yesterday forecast that Lloyd's will make profits of between £900m and £1,150m from business underwritten in its 1993 underwriting year.

The forecast, based on work by Financial Intelligence and Research (FIR), the insurance analysts, is more optimistic than that made by rival analysts, Chatset, which this week predicted a profit of £800m.

Both analysts, however, expect the 1992 year of account to produce an overall loss of some £1bn. 1993 profits could also be reduced by the need to make reserves for claims stemming from business underwritten in the 1980s and earlier.

Lloyd's reports results for 1992 and 1993 over the next two years, under its three-year accounting system. The FIR forecast is in a guide published jointly by FIR with the ALM.

Auditor warns on public sector fraud

Alan Pike on how a government policy has increased risk of waste

The British government's policy of breaking up large public-sector bureaucracies has increased the risk of waste and opened more opportunities for dishonesty, the Audit Commission warned yesterday.

The commission is responsible for audits in the local authority and health sectors in England and Wales. The bodies it audits spend about £90bn and employ 3m people.

Some managers and professional staff, it said, were handling large sums of public money, regardless of their expertise or experience.

Sir David Cooksey, the commission's chairman, said in his annual report that early indications suggested the "massive changes" taking place in the public sector, with devolution of responsibility to large numbers of service providers, were leading to better management and value for money.

But teething troubles were inevitable and change brought risks as well as potential benefits, Sir David said. Accountability could be blurred as responsibilities were reallocated.

He said: "If the full benefits are to be gained, we must ensure that effective mechanisms for accountability are put in place to underpin the process of change and to ensure that the risks are minimised."

Although a study by the commission of probity in local government had shown that fraud and corruption were apparently low, Sir David said, there were "some signs that it could be on the increase". The commission will assess the extent of fraud and corruption in the National Health Service by the end of this year.

He said: "I remain concerned that some aspects of public expenditure are not subject to adequate independent scrutiny." Local authority companies, for example, were subject to audit under the Companies Act, which provided a "less rigorous regime of audit than that required by the Audit Commission for other local-authority funds". The commission would welcome legislation to rectify this.

Sir David called for an early resolution to uncertainty caused by the current review of local government structure. This was "reducing the time members and officers can devote to making their services more effective, efficient and economical".

The commission expresses concern that the standard spending assessment (SSA) process, under which the government distributes £40bn a year to local authorities and indicates appropriate spending levels, is leading to "confusion of accountability".

Neither central nor local government accepted responsibility for decisions on particular services, while the complexity of the SSA formulas hid underlying political choices, obscuring decisions and those responsible for making them.

The report noted problems of efficiency and accountability in the policy of local management of schools. While most schools had adapted well to managing their own finances, "green shoots of impropriety" were emerging in a few.

Some schools spent five times as much as others on administration, while heads of similar schools spent anything from 5 per cent to 60 per cent of their time managing budgets. A quarter of schools administered voluntary funds in ways that would require corrective action if they were public money.

MANAGEMENT: MARKETING AND ADVERTISING

Salespeople's professionalism comes under attack after an international survey, writes **Diane Summers**

Unloved and incompetent

Salesmen and women are commonly portrayed as unloved, foot-in-the-door creatures, whose superiors provide motivatation principally in the form of alternate bouts of public humiliation and recognition.

In recent weeks, salesforces have received an even worse press than usual, with revelations from the UK financial services sector of dodgy advice to clients, lack of training and poor management controls.

Now there appears to be fresh evidence of incompetence – although salespeople have some of their own grouses, too, about the ineffeciencies of their organisations.

A survey conducted by Kinnaird Communications Group, a Glasgow-based consultancy, claims that only 5 per cent of field sales staff "possess the requisite natural selling skills that make them stand out as professionals", while 35 per cent "just manage to pay their way", leaving "an astounding 60 per cent just there for the beer".

Kinnaird says it arrived at these figures after an exercise which involved: questioning about 1,000 salesmen and women operating in the UK, France, Italy and Germany; looking at sales records; and talking to chief executives, supervisors and customers. The findings, says Robert Kinnaird, managing director, were supplemented by observations over many years among clients' salesforces.

The elite 5 per cent of salespeople achieve about five times the sales performance level of the poorest employees, while, according to Kinnaird, much of the rest "have drifted into the profession, attracted by the freedom, car and expense account". In contrast to these findings, around half of the mediocre and poor salespeople surveyed counted themselves as outstanding or good performers.

The tiny portion of the day apparently spent face to face with potential customers is astonishing. Kinnaird calculates that, out the average salesperson's day, 42 per cent of the time is spent in the car, while 26 per cent is spent at home planning, having lunch, telephoning, writing reports and parking the car.

That leaves less than one-third of the time on customers' premises. However, all but perhaps 5 per cent of that time will be taken up by fruitless "cold" calls, waiting in reception, interruptions and, in the case of the poorest salespeople, inadequate advance planning and an excess of small talk.

Much precious face-to-face time was found to be spent talking to people with no influence on the purchasing decision. An unproductive monthly call cycle, made up of "tea and sympathy" visits, is the only outlet for salespeople "to find solace or escape from what they regard as a very lonely existence," says Kinnaird.

Salespeople complain of inadequate marketing and advertising support for products from head office, poor sales literature, and products or services provided more cheaply by competitors.

A particular irritation seems to be that few marketing managers or, indeed, chief executives, have any direct field sales experience. This point is endorsed by Paul Williams, a former sales director for Philip Morris cigarettes, and now a course director with the Chartered Institute of Marketing, the professional body which organises sales training. Says Williams: "The bane of my life is the fact that most chief executives have a financial background – probably the worst background you can have to motivate salespeople. The way you get salespeople to respond is to create the right attitudes, emotions and feelings in them."

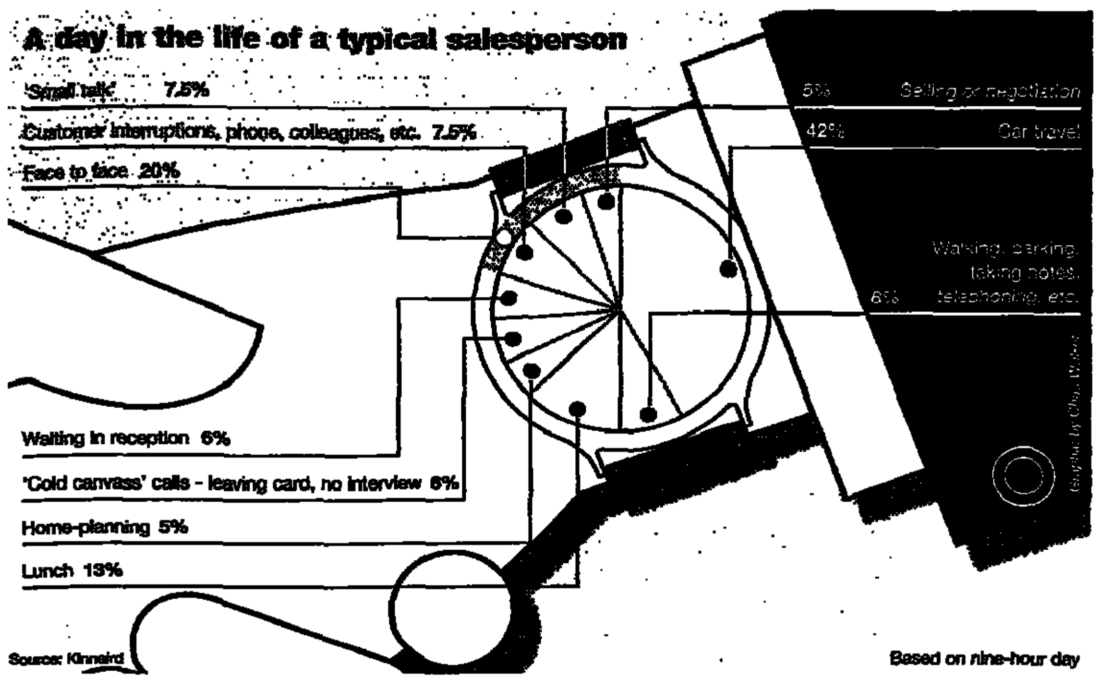
He also believes that Kinnaird's figure of 5 per cent for the sales elite is probably about right: what sets this upper tranche apart is charisma in a sales situation, he says.

Apart from the elusive charisma, the other main qualities that make a successful salesperson are a sense of humour and good planning and preparation skills, says Williams. "They certainly also need initiative, because nearly all of the time they're on their own, as well as a belief in their company and their products or services. They've got to believe in their colleagues – the people in accounts, marketing and distribution – and finally, they have to believe in themselves."

John Hunt, a professor at the London Business School who has assembled a vast databank of occupational profiles, adds to that list of qualities, physical energy, tenacity and resilience in the face of rejection. The salesperson's primary motivator is recognition, hence the "religious events where everyone gets a prize one way or another", he says. It is not so much that effective sales staff like people but they enjoy "the game of using their own interpersonal skills to hook someone on to their sale".

Fiona Rogers, the Chartered Institute of Marketing's own marketing director, says there are "always going to be naturals, but the training of a salesman is absolutely critical. It's not just a question of product training in the features, benefits and uses of the product, but it's also about the techniques of selling. Good-quality training can override the lack of some of the personal skills".

As well as improving training, Rogers believes the value of the salesperson to the organisation is often not exploited. Her words will be welcomed by the unloved ranks of salespeople. "They are your front-line people. They are a most valuable information source, not just on customer attitudes and preferences, and what's going on in the market-place, but also what the environment is like for the competition."



Drink to German shares

Germans drinks lots of schnapps, but they are reluctant buyers of shares. So when Berentzen, a drinks company in north-east Germany, issued new preference stock this summer, it decided to promote its brands and shares at the same time.

The issue, which met heavy demand, was Berentzen's first. The 236-year-old company, which includes such brands as Doornkaat and Schinkenhäger and has a turnover of DM360m (£148.7m) (excluding spirits tax), raised nearly DM90m (£37.5m). To reach as wide a spread of potential investors as possible, it combined a brand marketing campaign with one highlighting its share flotation.

Not only did the company advertise the issue on television, radio, in the press and in stores, it even put details on the back of schnapps bottles. Günter Lewald, head of communications at the group, which also makes soft drinks, says such an all-out investor awareness approach is unique in Germany.

Buyers of schnapps and fruit liqueur products under the Berentzen name were invited to take part in a draw for shares. The company put labels on 5.1m bottles with details of where to write for more information on the products and the issue.

The response was not huge, with about 3,000 people writing in, but showed the message was being spread. Television spots on NTV, an all-news cable channel, produced a further 1,000 inquiries. Out of these responses, 1,500 people went further than wanting to be in the draw and asked about buying the shares.

After initial scepticism, says Lewald, the banks arranging the issue (led by DG Bank) were won over. The share draw takes place next month with 111 shares – chosen because a same-digit number is called a *schnappszahl* (schnapps number) in Germany – to be divided among 21 winners. The lucky one will get 11 shares, worth DM3,795 at the subscription price; the rest will get five each.

Andrew Fisher

Europe's uncommon markets

Motoko Rich on the diversity of consumption among individual countries

Marketing executives aiming their products at the European consumer should consider their prime audience as single 30-something homeowners who are health-conscious, employed in the community, social or personal services sector, and own at least one television.

That appears the conclusion to draw from the latest survey* of European consumer lifestyles by Euromonitor, the London-based market analyst.

In its survey of 23 countries on a range of factors from employment patterns to birth rates since its last poll in 1989, Euromonitor reported increasing homeownership – now accounting for 55 per cent of households in Europe – and particularly strong growth in single-person households. In western Germany and Scandinavia, for example, single people occupy a third of all homes.

Birth rate trends mean the youth market in western Europe will fade during the 1990s and the early years of the next century, while the population aged between 30 and 45 will represent the largest sector of consumers.

An increasingly health-conscious population, says the report, has resulted in an overall rise of two years in European life expectancy since the mid-1980s, and of 10 years since 1970.

The community, social and personal services sector represents by far the largest employment of Europe's citizens. On average, 26 per cent of the workforce in western Europe is employed in social and personal services. This figure represents a move from the traditional large employers in the manufacturing sector, which now employs about 21 per cent of the workforce. However, 23.5 per cent of employees in Greece still work in agriculture, while in the UK 57.5 per cent are employed by wholesalers, retailers, restaurants or hotels.

While European unemployment rates have been rising by a rate of at least 2 to 3 per cent since 1988, jobless levels have been rising at much higher rates in some countries. In Sweden, unemployment rose from 1.4 per cent to 5.3 per cent between 1989 and 1992, and jumped in Switzerland from 0.6 per cent in 1990 to 3 per cent in 1992. In Finland, joblessness rose from 3.5 per cent to 13.1 per cent from 1988 to 1992.

However, some consumer goods appear to be essential, job or no job. In every country surveyed, televisions are owned by 95 per cent of households.

Consumption trends have been affected by stagnancy in west European spending power, while levels in eastern Europe have plummeted as state subsidies have been withdrawn. Although real incomes are beginning to rise, the survey gave a "poor prognosis" for large spending on consumer items.

The survey noted, however, that general wealth was increasing in western Europe, where average per capita production in 1992 was $21,000, (£13,550) with two-thirds of that figure devoted to personal disposable income. In southern Europe, per capita gross domestic product ranges from $7,800 in Greece to $21,500 in Italy. In eastern Europe it dropped as low as $600 in Russia and $3,400 in Hungary, the highest in the region.

Spending habits in certain sectors varied widely between markets. Food, for example, accounts for twice as much of the household budget in Greece or Portugal – 27 to 32 per cent – as in Germany or the UK. In eastern Europe, consumers spend 30 to 40 per cent of their budgets on food, although in Hungary the proportion is 17 per cent.

As a proportion of total consumption, spending on housing is rising – at the time of the previous survey the rate was falling.

The report warns that the current mood in Europe is towards national perspectives in consumption as much as anything else.

**European Consumer Lifestyles, available from Euromonitor, 87-88 Turnmill Street, London EC1M 5QU, 071 251 8024. £495.*

TECHNOLOGY

Clive Cookson continues a series on drug discoveries by looking at ways to fight off fungal infections

A hidden killer waits to strike

Fungi fight on both sides in the war between people and pathogens. They have provided several of the most valuable antibiotics used to control bacterial infections but they are themselves an increasingly important target for the pharmaceutical industry.

Hospital doctors are alarmed by the rising incidence of life-threatening fungal infections in cancer and transplant patients, whose immune systems have been depressed by chemotherapy, and in people with Aids. Although there are no reliable estimates for the number of people worldwide dying from fungi, doctors are beginning to think of them as a hidden killer.

According to a survey by the US Centres for Disease Control, the rate of fungal infection almost doubled from 2.0 to 3.8 per 1,000 hospital patients between 1980 and 1990. A German study of all autopsies carried out in Frankfurt showed an even faster increase in invasive fungal infections: from 0.4 per cent in 1978-82 to 1.2 per cent in 1983-87 and 2.4 per cent in 1987-92.

Contributing factors include antibiotic treatments, which wipe out bacteria and leave the field clear for competing fungi, and the increasing use in hospitals of intravenous catheters – tubes which provide a route for infections into the body – as well as the growing number of "immuno-compromised" patients.

To meet the need, anti-fungal drug sales are expanding fast. Datamonitor, the business research company, puts the annual growth rate at 19 per cent, with the world market projected to increase from $2.5bn (£1.6bn) in 1993 to $4.9bn in 1997. Another research company, Frost & Sullivan estimates that the US anti-fungal market will grow from $1.1bn in 1993 to $2.1bn in 1999.

On the supply side, the market growth is being driven above all by Diflucan, launched by Pfizer of the US in 1990. Analysts expect Diflucan, which was developed at Pfizer's UK research centre in Sandwich, Kent, to become the anti-fungal sector's first $1bn-a-year drug.

Before Diflucan, the leading treatment for systemic anti-fungal disease – serious infections in which microscopic fungi have spread right through the patient's body – was amphotericin B, an old drug associated with severe toxic side-effects.

Diflucan has the potency of amphotericin B, with fewer side-effects. It can be given as an emergency injection to treat life-threatening infections, or taken by mouth as long-term therapy by immuno-compromised patients who need to keep fungi at bay.

Although Diflucan was a great improvement on previous treatments for serious fungal infections, it is far from perfect. The most serious drawback is that Diflucan does not have a sufficiently broad spectrum of activity. It works well against Candida, the yeast which is the single most prevalent fungal pathogen in human beings, but it is much less effective against Aspergillus, the second most common one. And, ominously, there are signs that Diflucan-resistant strains of Candida are evolving.

Therefore Pfizer is developing follow-up drugs to hit fungi that do not respond well to Diflucan. So are several other companies that do not have a significant presence in the anti-fungal market today but are attracted by its potential, including Zeneca and Glaxo of the UK and Eli Lilly and Merck of the US.

Most anti-fungal drugs belong to a class of chemicals called azoles. Diflucan is an azole. So are Sporanox, Nizoral and Daktarin, the three drugs sold by Janssen, the Belgian subsidiary of Johnson & Johnson, which is number two in the anti-fungal market behind Pfizer.

Janssen's biggest development effort at the moment is focused on extending the uses of Sporanox, which was launched in 1989. Mike Emanuel, the company's UK research director, says the drug's great advantage is its broad spectrum of activity, including effectiveness against Aspergillus.

Azoles work by blocking the synthesis of ergosterol, a fungal hormone that is essential for the maintenance of cell membranes. They have also been developed by agrochemical researchers to combat fungal diseases in cereals and fruit.

There are several more azoles in the development pipeline, including one from Pfizer and another from Zeneca, in Phase II clinical trials. David Denning of Manchester University Medical School, scientific adviser to the Fungal Research Trust, is involved in the clinical trials of both Pfizer's and Zeneca's new azoles. "They could be useful drugs but I don't think either is going to be a giant leap forward," he says.

"What we need is a drug with a completely new mode of action – and that is a tall order, because a lot of the fungal cell processes are the same as in mammalian cells," Denning says. "Another difficulty is that fungal cells have a thick coating of sugar molecules; we have to find a chemical structure that will get through the wall without causing damage to human cells."

One fruitful development is the re-formulation of amphotericin B, in a way that reduces its side-effects while retaining its potency. Two US companies, Vestar and Liposome Technology, have encapsulated amphotericin B in microscopic fatty particles called liposomes; these release the drug more slowly into the patient's body and reduce its toxicity. The products – Vestar's AmBisome and Liposome's Amphocil (marketed by Zeneca outside North American and Japan) – have recently been licensed for use against severe infections that do not respond to other drugs.

The best-selling non-azole drug is Lamisil, launched by Sandoz of Switzerland in 1991. Whereas Diflucan aims mainly at systemic internal infections, Lamisil's primary market is the treatment of skin, nail and hair infections.

These external infections by dermatophyte fungi affect 10 to 15 per cent of the population, according to David Pearson of Sandoz. Although not life-threatening, they can be irritating and disfiguring and are extremely hard to clear up with conventional drugs.

Lamisil, which can be taken by mouth or applied as a cream, is very effective at eradicating dermatophyte infections. But it is also turning out to have a broader spectrum of activity than Sandoz originally expected, with potential for treating some systemic infections too. "We're forecasting sales of more than $800m a year for Lamisil by 1998-99," Pearson says.

Chemically, Lamisil is an allylamine. It interferes with ergosterol production, like the azoles, but at an earlier step in the biosynthetic pathway. The effect, according to Sandoz, is that Lamisil is "fungicidal"– it actually kills them – whereas azoles are just "fungistatic", keeping the fungi under control. Therefore patients treated with Lamisil are less likely to relapse after treatment stops.

"In principle the distinction between fungicidal and fungistatic drugs is very important," says Roderick Hay, professor of cutaneous medicine at Guy's Hospital, London. "But in practice there is little clinical data yet to show that it makes any difference."

Meanwhile, the search continues for entirely new drugs.

At Imperial College, London, Tony Barrett is running a particularly active anti-fungal chemistry programme. Promising compounds being investigated by his group include: papuamine, a powerful fungicide produced naturally by tropical sponges; papulacandins; hennoxazole A; and FR-900848, a research compound from Fujisawa of Japan.

An elegant approach is to use fungi themselves as a source of new anti-fungal drugs. It has yielded several promising research leads for Myco Pharmaceuticals, a Massachusetts biotechnology company.

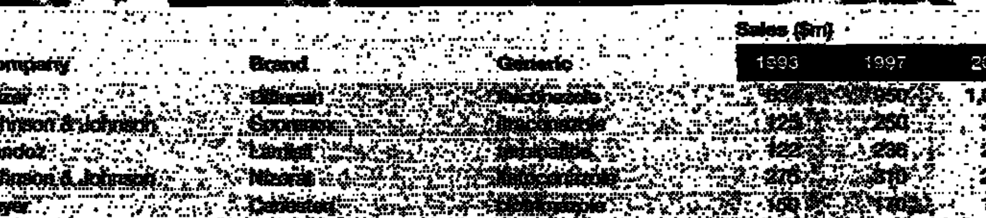
"There are an estimated 1.5m fungal species worldwide," says William Timberland, Myco's vice-president for research. "Because fungi are competing with each other in natural eco-systems, one would expect them to produce anti-fungals to protect themselves from other species."

The series continues next month by focusing on drugs that act on the immune system.

■ **Articles over the last six months have looked at pharmaceutical advances in the following areas:**

Stroke	29 July
Painkillers	30 June
Blood products	27 May
Multiple sclerosis	29 April
Sepsis	31 March
Prostate	25 February

World market for major anti-fungals



Company	Brand	Generic	Sales ($m) 1993	1997	2002
Pfizer	Diflucan	Fluconazole	[illegible]	950	1,000
Johnson & Johnson	Sporanox	Itraconazole	123	250	330
Sandoz	Lamisil	Terbinafine	122	236	257
Johnson & Johnson	Nizoral	Ketoconazole	275	310	230
Bayer	Canesten	Clotrimazole	180	170	182
Roche	Loceryl	Amorolfine	34	[illegible]	101
Bayer	Mycospor	Bifonazole	78	97	190
Schering Plough	Lotrimin	Clotrimazole	156	120	100
Johnson & Johnson	Monistat/Daktarin	Miconazole	125	110	80
Bristol-Myers Squibb	Fungizone	Amphotericin B	80	68	46
Total market			2,464	4,890	N/A

Forecast (1997, 2002)

Source: Datamonitor

Pioneers on the barcode trail

Vanessa Houlder reports on a system that has earned its stripes

Barcodes, it seems, have become ubiquitous. The machine-readable panels of black and white stripes are being used to identify everything from newborn babies to pension books.

Yet barcodes have drawbacks, notably in the amount of information that can be squeezed on to a label, which is usually restricted to a simple identification number. In an attempt to pack in more data, manufacturers have been working on a new generation of codes which store information in two dimensions.

These codes, which are capable of storing information 100 times more densely than their one-dimensional counterparts, have been used in applications ranging from military security passes to labelling parts on the space shuttle.

The latest company to announce plans to launch a 2D barcode is Tec (UK), a subsidiary of Toshiba, the Japanese corporation. Its Data Matrix system, which can store up to 2,000 bytes of information per code, will come on to the UK market next month

Its system has little in common with the conventional barcode, in which data is represented by a pattern of bars and spaces, which can be scanned by laser and fed into a computer. The Tec system works by putting raw data into binary code and representing it in the form of dark and light squares in a matrix - creating what looks like a blank crossword puzzle. To decypher the code, a reading machine takes a photograph of the image, which is then decoded.

The company believes that the system's potential uses include keeping records for hospital patients, keeping track of components on production lines, and verifying the identity of document holders.

A similar system has already been introduced by Veritec, a Californian developer. The Veritec system was spotted by Nasa when it was attempting to improve its method of identifying parts in the space shuttle. By marking the Veritec codes directly on parts, Nasa was able to bypass steps where a human would manually transfer serial numbers, thus reducing the risk of human error.

Another advantage of the system was that it was suitable for marking very small parts, since the mechanism for reading the code includes a camera with a lens capable of magnifying the image. The technology also stood out by producing marks on delicate components that were capable of being read after being exposed to outer space.

A different technology underpins the two-dimensional system designed by Symbol Technologies. Its system, which it describes as a portable data file, consists of a series of codes stacked upon each other. A single code can contain up to 1,750 characters, compared with around 13 on a traditional barcode.

The system which was launched commercially two years ago, is being used to mark the uniform of US fire fighters with their identification and medical history. Symbol Technologies has also experimented with marking blood bags with the donor's blood group, the blood's expiry date and centre of origin.

The system is being used in security passes by the US Department of Defence and will be used by policemen working at the Conservative party conference in October.

Few developers expect the 2D barcode to replace the traditional barcode. The traditional one-dimensional systems are relatively cheap and effective and have already commanded substantial investment.

Nonetheless, the champions of 2D codes firmly believe that their technology will open up new applications. "It is the most exciting thing that has ever happened to barcoding," believes Brian Marcel, managing director of Bar Code Systems, a UK distributor of Symbol Technology's system.

Yet so far, the uptake of 2D barcoding has been relatively slow. The barriers are not due to cost or technology, says Marcel. Rather, the acceptance of 2D systems depends on potential users' vision and willingness to be pioneers, he says. "No one likes to be first."

PEOPLE

Non-executive directors

The search for a new chairman at Associated Nursing Services has come to an end with the appointment to the board of former Tory MP and junior sport minister, Sir Neil Macfarlane (above).

The nursing homes group has also invited John Hodson, chief executive of the merchant bank Singer & Friedlander, to become a non-executive director. Singer & Friedlander holds 24 per cent of ANS.

ANS is paying Sir Neil and Hodson £18,000 and £10,000 a year respectively for "about five" and "at least two" days' work a month. Nick Dhandsa, chief executive, says this is the going rate.

Sir Neil, 58, will become non-executive chairman in October, on the retirement of Robert Upsdell, who joined the group in 1990 and who, according to Dhandsa, had originally intended to stay with ANS for only two or three years.

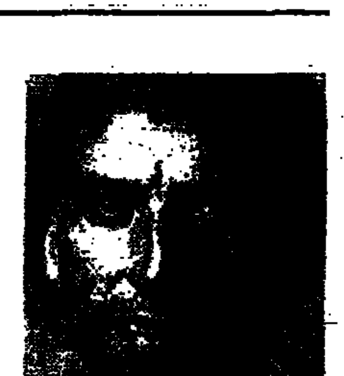
Sir Neil is a non-executive director of several companies, including RMC, Securicor, and the Bradford & Bingley building society. Hodson's financial expertise, meanwhile, is expected to help ANS forge joint ventures with City institutions to fund expansion plans. The group recently called on shareholders for £10m to fund expansion through a one for three rights issue.

■ **Christopher Mills** as chairman at STANELCO on the resignation of **John Adams**.

■ **John Wilson**, recently retired chairman of the London Electricity Board and president of the Electricity Association, at the CONTRIBUTIONS AGENCY.

■ **Peter Dixon**, former divisional chief executive of Berisford International, as chairman WELPAC from January 31; the present chairman Gerald Lavender will become non-executive from then until the agm.

Davis succumbs to Aegis's carrot



The media buying and planning group Aegis, holding company of the European-wide network of Carat companies, moved a step further on its steady rise back from the grave with the appointment of a new chief executive, who has a track record in managing some of the world's best-known and most successful brands.

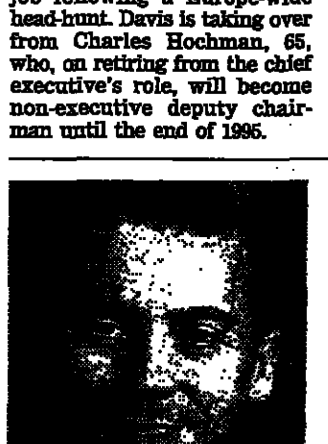
He is Crispin Davis, 45, whose most recent employer was United Distillers – where he took the controversial decision to reduce the strength of Gordon's gin. But he spent much of his working life – the years 1970-1990 – with Procter & Gamble; he was offered the job following a Europe-wide head-hunt. Davis is taking over from Charles Hochman, 65, who, on retiring from the chief executive's role, will become non-executive deputy chairman until the end of 1995.

Aegis has had a rocky two years since Peter Scott was ousted as chairman in July 1992. It suffered pre-tax losses of £18m in 1993, including exceptional items of £40m, following (restated) losses of £11m the previous year; it staged a £61m refinancing package in October 1993.

In April this year, Davis was reported to have received cash and non-cash benefits worth a total of £670,000 from Guinness, following his October 1993 resignation as regional managing director of the United Distillers spirits subsidiary and his consequent departure from the main board of Guinness.

It is believed that Davis's abrupt departure from Guinness followed a clash over marketing strategy with chief executive Tony Greener. Until that clash, observers had regarded Davis as being groomed to take on the top executive job. Running Aegis will give Davis plenty of scope to realise fully his own views on marketing.

Davis left Procter & Gamble in 1990, where he started life as an assistant brand manager. By 1978 he was marketing director of P&G's UK operations, responsible for such matters as establishing the Pampers brand of disposable nappy as market leader. At P&G Davis rose to become vice president in charge of the US foods businesses. He takes over at Aegis on October 15.



■ **Edward Jenner** (above), formerly commercial director for Unilever's Van den Bergh Professional Foods, has been appointed group finance director of WEDGWOOD.

■ **Peter Warry**, a director on the main board and chairman of Norcros's building products division, has been appointed acting chief executive of HEATHERWOOD and WEXHAM PARK Trust Hospital where he has been a non-executive director.

■ **Gary Hughes**, former vice-president & financial controller, North America, for United Distillers, has been appointed director of financial control of FORTE in succession to Peter Clack who has been appointed finance director of Roadside Restaurants & Accommodation.

■ **Peter Mills** has been appointed chairman of ST CLEMENT'S PRESS, the newspaper printing subsidiary of Financial Times Group. Barry Gilbert, previously general manager of SCP, succeeds him as managing director of SCP.

■ **Danny Bernstein**, joint md of Monarch Airlines, has been appointed a director of MONARCH HOLDINGS.

■ **John Hawkins**, company secretary, has been promoted to financial director of GB AIRWAYS.

■ **Gavid Chittick**, formerly finance director at Burwood House, has been appointed finance director for FORTE Crest.

Worboyes: levelling up at the PIA

Mark Worboyes, 40, an accountant with Fimbra, has been appointed head of investigations at the Personal Investment Authority, the new watchdog charged with protecting the private investor.

The PIA started operating last month after a long debate about reforming a widely-criticised system in which regulation of retail financial services was split between Lautro, which regulates life companies and unit trusts, and Fimbra, which supervises independent financial advisers.

However, the problem of merging two regulators has caused considerable jockeying for position behind the scenes and there has been some criticism that Lautro staff were getting the plum jobs in the PIA. Kit Jebens, head of the PIA's member relations, and Stuart Willey, head of legal services, both come from Lautro. David Severn, head of policy development, comes in from the Securities and Investments Board (SIB).

Worboyes, who comes under Kit Jebens' department, takes over from his old boss Jim Gaskin, Fimbra's former deputy chief executive, who had been given the job of the PIA's investigations chief. He quit last week to become managing director of Countrywide, a chain of independent financial advisers. Worboyes joined Fimbra in 1988 and has held a succession of posts in the areas of compliance and enforcement.

The PIA is still looking for a new head of finance and administration to complete its top management team under Colette Bowe, the new chief executive who has been brought in from the SIB at the start of the year.

ARTS

Cinema/**Nigel Andrews**

Humour versus Hammer

Deep in a Hollywood laboratory, men in white coats seek to create the perfect rejuvenation potion. The idea is to rejuvenate not people but pictures. They mix and match movie genres, searching for the ultimate box-office "Eureka!" Will it be the action epic cum marital infidelity comedy (*True Lies*)? Will it be the Western cum gambling movie cum TV rip-off (*Maverick*)? Or how about – touch of desperation now creeping into the ingenuity – the publishing comedy cum May-December love story cum werewolf movie?

As genre experiments go, *Wolf* seems have escaped its laboratory before its time and dashed off down the emergency stairs. Screenwriter Jim Harrison or director Mike Nichols probably left it untended, thinking it was almost ready. But it wasn't. And being a Jack Nicholson project, it is soon out on the street, surprising passers-by with idiot grins, flyaway eyebrows and twanging slow-burn *epigrams*.

The opening scene – no, the opening half hour – is promising. Jack's car collides with a wolf on a skiddy, midnight New England road and he is bitten when he tries to shift the supposed dead body. Back in that other primal forest called New York, he is being retired as editor-in-chief of a top publishing firm. His boss Christopher Plummer says: "I want you to think about eastern Europe". (Gothic joke combined with josh at Gotham job-politics).

But all that sacked Jack is thinking about is how to appease his vicariously ambitious wife (Kate Nelligan); how to put a good face on his resentment of the super-yuppie replacing him (James Spader, *in oleaginous* overdrive); and why his senses of smell, sight and hearing are suddenly, strangely, becoming sharper.

He is of course lycanthropising. Soon it is but a hop and jump to peeing on his rival's suede shoes in the office loo ("Just marking my territory"), to growling impressively at Plummer, and to sharpening figurative claws for his job reclamation. "Is the worm turning?" trills his spinsterish secretary Eileen Atkins. "The worm is turning and packing an Uzi," replies Jack. "About f - ing time," says Eileen.

And it is. Forty minutes gone and still no authentic werewolfery. Soon

WOLF (15)
Mike Nichols

LE PARFUM D'YVONNE
(18)
Patrice Leconte

A SHADOW OF DOUBT (15)
Aline Isserman

after that, though – but no, we feel *a hand suddenly clamped* round our mouths by the Columbia press handout: "would be grateful . . . refrain from telling . . . third act . . . thank you . . . understanding and cooperation."

Happy to oblige. For the third act, sad to tell, is a silly old mess, with director Mike Nichols evidently bitten by the dead body of Hammer Films and choosing to finish things off with fur, fangs and flying bullets. (Not giving too much away, am I?) This would be fine if the images matched the apocalyptic gear-change. But *Wolf*, having lingered so long in the land of back-chat and Martinis, lacks the courage to go feral. If you want bone-stretching, *mind-boggling, proper metamorphoses* such as in *The Howling* or *An American Werewolf In London*, rent the aforementioned movies on video.

Instead we have a snuffling Nicholson in orange contacts and miracle-grow sideburns, inflamed to self-assertion by beautiful Michelle Pfeiffer as the Plummer's daughter. Their romance – let us call it Act Two – is where the film begins to go wrong. Pfeiffer is a knock-em-dead actress struggling with a nev*er-come-to-life role. And director* Nichols, who as *Silkwood* and *Heartburn* taught us is ever the vapid stylist when he chooses, films the couple's formative tête-à-tête from *behind* their heads, silhouetted against a sparkling twilight river. Throughout this scene the camera does one of those simultaneous push-pull motions with the zoom *and track to give us a sense of perspective-sorcery*. But it is pretentious beyond measure: like an icky picture postcard animated by Tarkovsky.

So we are left with the early territorial comedy between Nicholson and Spader, manoeuvring for acting honours as turning worm and wormy twerp respectively. Spader is a joy. No one in modern cinema acts better sincerity-fakers. The face is a blob of radiant choirboy disingenuousness, with invisible wires hitching the mouth into unctuous grins or pulling the eyebrows down into "concerned" frowns. In *Wolf* he stays right in there and up there with Nicholson: no mean feat since our Jack is in his voice-tweezing, elastic-eyed element here, at least so long as the film's sense of humour keeps at bay its sense of Hammer.

★

French cinema today wanders in a half-world all its own. The New Wave has receded, leaving a chain of low-tide rock pools that seem, *depending on the prevailing light*, either gloomily inert or delusively reflective.

Can you have life without movement? Can still waters *really* run

Jack Nicholson in 'Wolf': Mike Nichols' film seems to have escaped from the laboratory before it was ready

deep? Patrice Leconte's *Le Parfum D'Yvonne*, from the director of *Monsieur Hire* and *The Hairdresser's Husband*, is rock pool cinema *par excellence*. Chic resort setting (luxury hotel). Teasing iridescent light. And a whole lot of exotic, biologically predestined life forms: including the young man opting out from the Algerian war during the 1950s (Hippolyte Girardot), the beautiful girl he falls for (Sandra Majani) and her ageing gay friend (Jean-Pierre *Marielle*), who *insists* on being called Queen Astrid. Don't ask why, just enjoy Marielle's high-style acidic performance, the movie's one flicker of vitality.

Indeed Leconte's film could have been, but wasn't, inspired by Cyril Connolly's novel *The Rock Pool*. (The actual source was Patrick Modiano's *Villa Triste*.) Connolly's story was all about a bunch of vain artistic types *sur le continent*, taking elegant swabs from each other's souls. But Connolly was a satirist. Leconte, via Modiano, seems to be – what? An impressionist? (All that blurry, light-kissed photography). A bricoleur? (Narrative tricks within tricks within flashbacks). Or just a cinematic dandy doodling endlessly with his movie palette?

The period set pieces are pretty and sometimes funny: notably the *concours d'élégance* for vintage cars and their drivers, a scene resembling *Genevieve* out of *Last Year In Marienbad*. Elsewhere, ever-so-precious dialogue is exchanged amid ever-such-opalescent settings and the temperature barely rises even when the chatter stops for the love scenes. Anyone for Dubonnet?

A Shadow Of Doubt is better. The light on this rock pool is dimmer, but the perspective is wider (Cinemascope) and deeper. When a 12-year-old girl (Sandrine Blancke) accuses her father (Alain Bashung) of child abuse, interested parties try to keep the two apart, unaware that shadows have an elastic life almost independent of their owners.

No vintage cars. No Dubonnet. Just the distant susurration of mistrust and the darkened, panicked depths of a relationship into which one fatal stone has been dropped. Director Aline Isserman boldly uses a wide screen for an intimate story: which means that faces are wreathed in boas of shadow and ambiguity becomes a form of brain-teasing poetry.

Movie-making like this is still "rock pool" rather than high tide. But at least it makes a virtue of its own marooned and intimist vision.

Opera Factory/**Richard Fairman**

Osborne's 'Sarajevo'

The first thing to say is that *Sarajevo* is not an opera, if that matters. In assembling his material on the suffering in Bosnia, Nigel Osborne found himself bringing together a variety of sources, which he has fashioned into a trilogy, composed partly of theatre, partly of music.

The first performance at the Queen Elizabeth Hall on Tuesday was entrusted to Opera Factory, with which Osborne has had a long creative partnership. The company premiered one of his true operas, *Hell's Angels*, and also (more relevant to the piece here) invited him to supply incidental music for two plays. David Freeman, producer of *Sarajevo*, more accurately describes the work as "performance art".

Part One of the trilogy begins unpromisingly. Wanting to make a connection to the suffering of an earlier age, Osborne incorporates an adaptation of Euripides's *The Trojan Women*, made by Don Taylor. In spite of an assertion in an interview that this would have "integral" music, there is almost no music at all. The play is acted straight, albeit in a modern setting, but too much of the text is mumbled or hysterically shrieked for the issues that Euripides was addressing to come across. A week spent watching fringe theatre at the Edinburgh Festival leaves one fairly immune to Freeman's *kind of full-frontal* soul-bearing.

Part Two is a musical setting of texts written in Sarajevo, "somewhere between an opera, a cabaret *and a song cycle*", says Osborne. Reading the poems in advance, I thought how moving they were. The unreality of living in Sarajevo during the siege is marvellously captured by some of these vignettes, like the boy wanting to keep his Levi 501s with the bullet hole as a souvenir, or the well-dressed businessman going home with his briefcase in one hand and a branch of a tree to burn in his home-made stove in the other.

Unfortunately, most of their force gets lost when the music is added. Osborne interweaves them and variously undermines their simple honesty, although his trio of instrumentalists at least allows most of the words to be heard. There is little feeling of pacing or overall shape to this long section, and certainly not of drama. Freeman's attempts to provide a dramatic subtext were inevitably futile.

These songs lead directly into Part Three, which is a setting in "oratorio" form of a libretto called "Sandstorm", by Craig Raine. Here, for the first time, music gains primacy over the words, which are in any case difficult to catch without the text to hand. In the more impassioned outbursts, when the four solo singers come together, one at last senses something of the anger which Osborne says motivated him to write the work.

Maybe it is unfair to expect that a composer should be able to express his sense of outrage with more eloquence than the rest of us, but summoning the power of his creative abilities is surely the challenge. *Sarajevo* is an undisciplined and inarticulate cry of pain.

Sponsored by Spero Communications. Further performances at the Queen Elizabeth Hall until September 3 and then at Oxford Playhouse

Alastair Muir

Katya Doric and Marie Angel

The Edinburgh Festival/**Alastair Macaulay**

Shakespeare in many tongues

Brush up your Shakespeare, and brush up your languages. Last week the Edinburgh Festival brought us *Antony and Cleopatra* in German, this week *A Winter's Tale* in French. Meanwhile, the Fringe includes *A Midsummer Night's Dream* and *Iago* (rewrites of the Shakespeare plays) done by the Ukrainian company Theatre on Podol; the latter takes place in a swimming pool. The official festival companies perform with a heavy sprinkling of Shakespeare's lines on surtitles. This adds a peculiar irony to watching the performance: for, while we read the text on high, we watch what directors have made of it onstage below.

The Winter's Tale in French stands at the opposite pole to last week's Berliner *Antony and Cleopatra*. That was prose, its action downscaled and updated, its tone intimate, its texture organic. This is poetry, its action taken out of any realistic context and its content carefully distilled, its tone cultivated, its structure rejigged by shifting floors and scenery.

The director is Stéphane Braunschweig, the production from the Centre Dramatique National, Orléans-Loiret-Centre, *Théâtre-Machine*; and Braunschweig shows how intelligently he understands the play. Leontes, the King of Sicily so suddenly and violently obsessed by false and jealous convictions about his wife Hermione and best friend Polixenes, is here shown as a man who absurdly over-dramatises his own innermost thoughts, who soliloquises in a manner far more melodramatic than he reveals in private: until this private, ludicrous, histrionic side takes him over in public as well and makes him monstrous.

But Braunschweig directs like a pathologist. He lays the workings of the play out on the slab: analysed, organised, labelled, and dead. Leontes's hammy neurosis is played out by Pierre-Alain Chapuis in the most actorly French manner, full of special vocal contrivance; and this is set against the far calmer manners shown by those around him. He clutches at a large red curtain in his early torment of jealousy, and the curtain becomes a symbol of *melodramatic distortion*. Meanwhile, each area of the stage shifts, so that the scenery itself becomes a symbol of the play's often distorted emotional perspectives. Several scenes are played out on a rake of about 40 degrees.

At four hours (with interval), this *Winter's Tale* feels a great deal longer than the Berliner *Antony* (three hours 40 minutes without interval): longer because – oh! – slower. As the play develops, every line – every word – becomes an étude. And Paulina, whose reckless courage and moral outrage are the strongest force in the play to counter Leontes's punitive jealousy, is played by Sophie Daull in artifi*cial style, self-consciously playing* to the house for precious effect even in the most intense scenes.

Braunschweig knows that some parts of the play are comic, others idyllic, others charming, and shows us how and why. I like the use of a female 'cellist in between scenes; she also plays Emilia. And I like the way that Hermione appears, beautifully veiled in white, while Antigonus recounts his fatal dream of her; and how she then remains there, like Patience on a monument, until – lifting her veil – she becomes the role of Time and tells us how 16 years have passed. Charming. But neither here nor elsewhere has the production any naturalness or convincing inner life. Calculation is all too evident.

Meanwhile, on the fringe, from 10.15pm till 12.30am, the Ukrainian Theatre on Podol is giving its *Iago* at the Infirmary Street Swim Centre. Desdemona *does a length of breaststroke to* elope with Othello, Iago is forever chucking people and props into the water, Othello and other characters go for a swim at regular intervals. This is *Othello* re-told (though less radically than the same company's *Midsummer Night's Dream*,) and it sounds utterly prosaic to this English ear.

But the action is completely fluent. I always wanted to know what would happened next, and/or how it would happen. Othello (white, without make-up) is dignified and yet always outshadowed by the towering, inscrutable, plausible Iago. Desdemona is innocent, spontaneous, unintelligent, a natural victim. At *the end, both Iago and Othello are* placed under arrest, on the jetty that projects out into the pool, for their crimes; Iago reveals all and handcuffs himself to Othello; and Othello, having learnt how he has been duped, calmly stabs himself. His body falls back into the pool, pulling in Iago after it. The lights fall on Iago trying desperately to keep the dead Othello afloat.

Alastair Macaulay

INTERNATIONAL
ARTS GUIDE

FESTIVALS

■ EDINBURGH

This year's festival, now at halfway point, is one of the most ambitious of recent years - spurred by the opening of a major new venue, the Edinburgh Festival Theatre.

● The drama line-up includes Peter Stein's seven-hour Moscow production of Aeschylus' Oresteia trilogy (in Russian with English surtitles, daily till Sun), J.M. Synge's The Well of the Saints from Dublin's Abbey Theatre (daily till Sun), and the UK directorial debut of Luc Bondy in a quintessential international festival production - a wordless play by Peter Handke involving 30 actors playing 400 characters (Aug 31-Sep 3).

● The dance programme winds up this weekend with Merce Cunningham Dance Company (Aug 27-28).

● *Beethoven* is the main festival composer this year. All nine symphonies are being played by orchestras from Cleveland, Stavanger and Hamburg, plus the Orchestra of the Age of Enlightenment, as well as the five piano concertos and many of the string quartets. Among the musicians involved are Alfred Brendel, Andras Schiff, *Richard* Goode, the Borodin Quartet, Frans Brüggen, Christoph von Dohnanyi and Günter Wand. Chabrier is the other featured composer, with performances of three of his stage works. Roderick Brydon makes a welcome return conducting the Australian Opera's production of Britten's A Midsummer Night's Dream (tonight, tomorrow and Sat). Charles Mackerras conducts the closing performance of Elgar's The Dream of Gerontius on Sep 3.

● A collection of French Impressionist landscapes, entitled Monet to Matisse, is on view at the National Gallery of Scotland. The Royal Scottish Academy has an exhibition on the theme of the Romantic Spirit in German Art 1790-1990.

● Official Festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257

■ HELSINKI

The formal opening of the festival takes place this evening with a "Night of the Arts", featuring dance, song, theatre and cinema all over the city. Esa-Pekka Salonen conducts the Los Angeles Philharmonic Orchestra at Finlandia Hall on Sat and Sun, and Jukka-Pekka Saraste conducts Mahler's Eighth Symphony next Wed. This year's programme also includes a strong British element: Neil Mackie sings Britten's Nocturne on Mon, and there will be performances by the Michael Nyman Band (Sep 5) and the London Sinfonietta (Sep 7 and 8), featuring works by Harrison Birtwistle, George Benjamin, Oliver Knussen, Robert *Saxton and Mark-Anthony Turnage*. Graeme Jenkins will conduct the Finnish Radio Symphony Orchestra in works by Elgar, Berkeley and Walton (Sep 10), and there will be a new ballet based on the images of the painter Francis Bacon. The festival runs till September 11 (Lippupalvelu Ticket Agency: tel 664466 fax 628007)

■ LUCERNE

Under Matthias Bamert, Switzerland's premier music festival has taken on an adventurous slant. Focal points this year are a 70th birthday tribute to Swiss composer Klaus Huber and a wide-ranging exploration of the way music is interpreted. Four different performances will be built around Schubert's Winterreise, including a new opera. There is also a series of offbeat events breaking all the rules of traditional concert form. The conventional side to the festival is as strong as ever. Highlights of the coming week include a recital by Maurizio Pollini on Sun, the Royal Concertgebouw playing Mahler on Tues, and the Berlin Philharmonic with Abbado next Wed and Thurs. Other visitors include the Orchestre Révolutionnaire et Romantique conducted by John Eliot Gardiner, the Berlin Staatskapelle under Daniel Barenboim, the Dresden *Staatskapelle under Colin Davis*, and the Vienna Philharmonic Orchestra under Riccardo Muti, who give the final two concerts on Sep 9 and 10. Lucerne itself offers plenty of daytime pleasures, including a street music festival taking place this week. The city is also an ideal centre for exploring the surrounding *Alpine region, with excursions on the* Lake Lucerne paddle steamer fleet and mountain railway trips up Pilatus and Titlis (041-235272)

■ MONTREUX

Montreux offers a sultry setting on the shores of Lake Geneva and a *haphazard collection of orchestras* and soloists from the summer festival circuit. This year's programme features the Pittsburgh Symphony Orchestra under Lorin Maazel (tonight), trumpet soloist Maurice André (tomorrow), violin soloist Maxim Vengerov (Sat), Radu Lupu with the Royal Concertgebouw Orchestra conducted by Riccardo Chailly (August 31), Ton Koopman and the Amsterdam Baroque Ensemble (September 5) and the Orchestra of La Scala Milan with Carlo Maria Giulini (September 8). The final concert on September 23 is given by Kent Nagano and the Lyon Opera Orchestra, with piano soloist Martha Argerich. Most events take place in the cavernous modern Auditorium Stravinski (021-963 5450)

■ PESARO

The closing performances are Semiramide tonight and Sun at the Palafestival, conducted by Roger *Norrington: the one-act dramma* giocoso L'inganno felice tomorrow and Sat at the Teatro Rossini, staged by Graham Vick and conducted by Carlo Rizzi; a piano recital tomorrow by Giorgia Tomassi at the Teatro Sperimentale; and a Mozart and Mahler concert on Sat at the Palafestival, featuring the *Stuttgart Radio Symphony Orchestra* conducted by Gary Bertini (0721-33184)

■ SAN SEBASTIAN

This music festival in Spain continues for another week, with an impressive array of foreign visitors. *Paata Burchuladze sings Verdi and* Musorgsky arias tonight at Teatro Victoria Eugenia, and Elena Obratsova gives a song recital tomorrow at the Maria Cristina Hotel. Alexander Lazarev conducts the Royal Liverpool Philharmonic Orchestra in Mahler's Second Symphony tomorrow and Sat at Teatro Victoria Eugenia, and in a programme of Britten, Prokofiev and Musorgsky/Ravel on Sun. Christian Zacharias gives a piano recital on Mon, followed by two concerts (Tues and Wed) conducted by John Eliot Gardiner. There are also recitals by the Moscow Quartet and the Huelgas Ensemble (0943-481238)

■ SANTA FE

The 1994 opera festival ends with Intermezzo tonight, Il barbiere di Siviglia tomorrow and Tosca on Sat (505-986 5900)

■ STRESA

Stresa's chief selling point is its situation on the shore of Lake Maggiore in northern Italy. The festival opens on Sat with a Brahms and Mendelssohn programme played by the Freiburg Bach Orchestra and Chorus. Other guests *include the violinist Uto Ughi* (Sep 1), the pianist Jörg Demus (Sep 7), Martha Argerich (Sep 11) and soprano Katia Ricciarelli (Sep 13). The festival ends on Sep 18 with the Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel *0323-31095 Fax 0323-32561*)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided concerts in the heart of the Massachusetts countryside. Tomorrow's all-Mozart programme is conducted by Christoph Eschenbach, with soprano soloist Barbara Bonney. Eschenbach also conducts Beethoven's Ninth Symphony on Sun afternoon, with soloists Alessandra Marc, Florence Quivar, Frank Lopardo and Paul Plishka. Saturday evening's Russian programme is conducted by Yuri Simonov, with piano soloist Horacio *Gutierrez. On Monday*, John Williams conducts the Boston Pops in a programme entitled A Night at the Movies. The festival ends next week with a Frank Sinatra concert on Wednesday, followed by a four-day jazz festival featuring Manhattan Transfer, Dave Brubeck Quartet and the Carnegie Hall Jazz *Band (Ticketmaster Boston 617-931* 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 *other areas* 1-800 347 0808)

ARTS GUIDE

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NBC/Super Channel: FT Reports 1230.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
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Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Bitter Australian whine, uncorked

BOOK REVIEW

THE HAWKE MEMOIRS
By Bob Hawke
William Heinemann Australia A$49.95 or £15.99, 640 pages

Hell may have no fury like a woman scorned, but a rejected politician can make the cauldrons bubble even more furiously.

Quite simply, the reminiscences of Mr Bob Hawke – the Rhodes scholar and former union leader who became Australia's prime minister in 1983 and held the job for eight years – are mistitled. Instead of being called *The Hawke Memoirs*, which gives an impression of gravitas, something with a vaudeville flavour, such as *Me and My Enemies*, would have been more fitting.

For much of the book's 560-odd pages, the butt of its outpourings is Mr Paul Keating, Australia's current prime minister. Mr Keating finally snatched the top job from Mr Hawke in late-1991, after having served as Treasurer (finance minister) for most of the Hawke years and following a bruising battle within the Australian Labor party.

This leadership struggle was brutal even by the standards of Australian politics, and has been well-documented both on television and in print. But Mr Hawke clearly felt the true tale had not been told. "I knew this book would cause some unhappiness," he remarked testily when the book had been panned by almost all Australian commentators last week. "But the facts have to be told."

Well, yes – but not necessarily with such bitterness and nastiness. As his account rambles through the domestic and international developments his government confronted in the mid-1980s, Mr Hawke rarely misses an opportunity to take a swipe at his successor.

Touching, for example, on whether Australia should have allowed the US to conduct missile tests in the Tasman Sea in 1985 – an issue which had become more sensitive because of neighbouring New Zealand's brushes with the US over defence policy – he suddenly sidetracks.

Mr Hawke recalls that while he taking calls from other prominent Labor parliamentarians, including the then foreign minister, Bill Hayden, and defence minister Kim Beazley, Mr Keating telephoned.

"As distinct from those cooler heads, who shared my view [that agreeing to the US request would put at risk the broad defence agreement between the two countries]. Paul was gung-ho. He recommended a 'take 'em on, we'll beat 'em, don't back down' approach. Understandably, I took no notice because he was not expert in foreign affairs and he had no understanding of the [missile] issue within the broader framework of maintaining party support for the Australia-US alliance."

Other attacks are more personal. Mr Keating is enthusiastic about European antique clocks – a fact often raised by opposition politicians when they want to play to Australians' dislike of poseurs. But this does not stop Mr Hawke from weighing in, too: "French Empire clocks were his fascination; he had an absolute passion for them, perhaps not unrelated to visceral republicanism and his tardiness at keeping appointments.

"On a couple of occasions he had me over to his house to explain in loving detail the esoterics of his numerous clocks. They were handsome objects to be sure, but I must say I could think of better ways of filling in my time than polishing them and taking them to pieces and putting them together again."

The shame is that, in pursuit of this vendetta, Mr Hawke misses an opportunity to shed insights into a fascinating period of transformation for Australia. Only briefly does he comment on the thesis that his Labor party was lucky to be in office when social democratic thinking was changing across the western world, and die-hard socialists began to see the virtue of market mechanisms.

"The necessary changes ...we had to make in party thinking were made when we were an effective government. Had we not been in power there is little doubt that we would have been doomed to a continued irrelevance," he suggests.

But rather than exploring this argument, Mr Hawke reverts to personal aggrandisement. He reduces Australia's reform process to one decision – his, of course. "There is one simple and indisputable fact... and it is, arguably, the single most important fact in the history of Australian politics in the last two decades of this century. If I had not dumped Option C [the potential introduction of a consumption tax] in 1985, Labor would have lost the 1987 election. Labor would not have been continuously in power for 13 years by 1996, and there would have been no prime ministerial mantle for Paul Keating to seize in 1991."

Perhaps the most surprising aspect of the book is its stilted language, and sugary sentimentality. Summing up one early trade union acquaintance, for example, Mr Hawke writes: "The private man was one who had a profound knowledge and love of classical music and a dedication to gardening." Another individual's cynicism is described as being "leavened, however, by a witty ebullience and an enjoyment in interacting with those around him". Time and again, Mr Hawke claims a personal empathy with the Australian electorate. "In 1983, as I travelled the length and breadth of the continent calling for an end to division and a fresh start, I was aware of an enormous reservoir of goodwill towards me. One of my many public psychoanalysts has said that I walk everywhere in a warm tropical breeze, as if this was somehow a bad thing. In fact, I do."

Judging by local reaction to the book last week, the winds have changed. Still, the initial print run is one of the largest planned in Australia, so Mr Hawke should end up a richer man. By all accounts, his next literary offering will be a form guide to Australian racing – a penchant of Mr Hawke's which rivals Mr Keating's enthusiasm for clocks. One can only tremble for the horses that have let him down.

Nikki Tait

Capitalism grew in my courtyard

Leyla Boulton reflects on the changes that market reforms have brought to Moscow in four years

In the four years since I arrived in Moscow, my courtyard has been transformed by President Boris Yeltsin's market reforms. The children who used to play in it have been replaced by armed men in bullet-proof vests who guard a new commercial bank which rents office-space in our building. The courtyard administrator, who has visibly prospered from the arrangement, tells complaining residents he would be "killed" if he tried to remove the bank. My husband was threatened with a pump-action shotgun after protesting when a bank security van almost knocked down my mother, who was on a visit.

Complaining about the aptly named Moscow Business World Bank is as useless as demanding action from the police against the all-night disco adjoining the courtyard. Nothing happens. A 10-minute walk down the road, at Paveletsky Station, the driver of the manager of a big car-dealing company recently had his head blown off by a car-bomb aimed at his boss.

There is no point in complaining, for this free-for-all is capitalism, Russian-style. Like many Muscovites, I have learnt to live with impotent indignation at the power of crooks and corrupt officials, and to consider myself lucky to be healthy and solvent. Less fortunate are the hundreds of thousands of Muscovites likely to lose their savings in dubious financial companies like MMM.

Irina Yasina, a friend with her own financial news agency, argues: "The country has gone mad . . .Everybody now wants to make money, but only Russians could play this sort of Russian roulette."

On the positive side, the queues and shortages at Gastronom number 45, the local food shop which now calls itself Zamoskvarechiye Supermarket, have disappeared since the abolition of price controls in January 1992. Thanks to the liberalisation of imports decreed at the same time, Muscovites today are far better-dressed than in the Soviet era, and despite (justified) grumbling at still very high prices, can find whatever they need in the shops and in the kiosks which have mushroomed in the capital.

There is little that is not for sale in Moscow today. "Afghan war veterans available for all manner of security services," says the advertisement on the trolleybuses passing my kitchen window.

Thrown into a market at the deep end by the young reformers, led by the former deputy prime minister, Yegor Gaidar, Russians are shedding communist-era expectations that the state will "feed" them from the cradle to the grave. My friend Sasha, an underpaid army officer who moonlights as a security guard, says: "We can rely only on ourselves."

Reuter/AP

Changing face of Moscow: food shortages are over, but MMM investors are angry and crime is rising

Deep-rooted prejudices that business is crime and that trade is "speculation" are proving more persistent – hardly surprising, given that much of Russian business still operates in an unregulated and illegal manner. But gone are the days of total ignorance, symbolised by a middle-aged Russian journalist who, in December 1990, asked the then finance minister Boris Fyodorov how speculation could be avoided on the country's first stock exchange. At a seminar for young financial journalists last winter, the only questions were about how to report financial fraud and companies like *MMM*.

Moscovites like Irina Yasina are setting up businesses, in spite of daunting official red tape and prohibitive taxation. The Moscow Currency Exchange, established in a Stalinist skyscraper which houses official institutions such as the Management of Tall Buildings, is manned by youths with mobile telephones who trade dollars and D-Marks as if they had been doing so all their lives – even though a western-style currency market has existed in Russia for little more than than two years.

'Everybody wants money, but only Russians could play this sort of Russian roulette'

When I first arrived in Russia in May 1990, the old communist order appeared as solid as the bronze statue of Lenin, which still stands outside my courtyard on October Square. Today the statue is nothing more than a rallying point for nostalgic pro-communist demonstrations by pensioners.

Arrogant officials continue to race around Moscow in official limousines without regard for speed limits. But apart from the fact that many now ride in Mercedes rather than ramshackle Volgas, the officials' own significance has radically altered with the demise of the old state-run economy.

Many former Communist party officials have gone into business. Nikolai Ryzhkov, Soviet prime minister from 1985-90, is now chairman of a commercial bank called Tveruniversalbank. Nicknamed the "weeping Bolshevik" for his sometimes emotional behaviour, Mr Ryzhkov accelerated the collapse of the Soviet economy when he and former President Mikhail Gorbachev failed to proceed with the "500-day plan" for radical market reforms in September 1990.

Then, officials were all-important, both for the reforms they rejected and, after Mr Yeltsin came to power as master of a newly independent Russia, for what they changed. I particularly remember Grigory Yavlinsky, a young reformer brought into government on the eve of the Soviet Union's collapse in December 1991, complaining about the refusal of "idiotic" republics to endorse his proposed economic union – a refusal most now bitterly regret. Or Boris Fyodorov, expressing fears of an "economic coup" by old-style lobbyists who detested his attempts to impose "ordinary financial discipline" before his second resignation as finance minister in January 1994.

With inspired young reformers now firmly out of the way, old-style bureaucrats are defensively reasserting old secretive methods of conducting official business. President Yeltsin himself pointed out that many officials had become as remote as in the old days.

This remoteness was underlined by a remark by his own spokesman, Mr Vyacheslav Kostikov, at a Moscow reception. Before Mr Alexander Livshits, the president's economic adviser, could answer a question on why the government had failed to keep a promise to scrap quotas on oil exports on July 1, Mr Kostikov blurted out: "I think it is better if he doesn't answer that question. We are here to relax." This long-promised foreign trade reform would have increased tax revenues and removed a big source of corruption.

The truth is that, after the young reformers released the genie of market forces, their successors lost their grip on almost everything except export quotas and their own secrets. The supreme power today is money, and those who wield that power are businessmen, mafiosi and the officials who extort bribes in return for not hindering their activity.

It is that power, as expressed every day in my courtyard, which is the main guarantee against a return to the past. It is true that Moscow is not Russia. But that does not make thoughts of the future, which will be largely decided in the capital, any less unsettling.

The author recently completed a four-year reporting assignment for the FT in Moscow

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Facts on The Body Shop difficult to obtain

From Mr Richard Adams.

Sir, Gordon Roddick's defence of his company's commitment to social and ethical issues (Letters: August 24) fails to mention one important element of The Body Shop's position. His company has a firm policy of no paid advertising. However, it has been highly successful in promoting itself through public relations, spending millions of pounds annually.

The Body Shop distinguishes between advertising and PR in this way – "advertising is you saying you're good, PR is getting someone else to say it" (Body Shop annual report 1993, page 20). But, more so than advertising, public relations is difficult to call to account.

New Consumer can only assess action and hard information. We have been debating disclosure on corporate social responsibility with The Body Shop for some time and have found great difficulty in obtaining relevant information.

In September 1993, in a meeting at which Gordon Roddick was present, The Body Shop confirmed that, while a source/supplier analysis of basic product ingredients had been initiated, there had, as yet, been no development of an ethical sourcing policy for such materials, the bulk of these being bought as commodities on the world market. At that meeting we suggested:

- Clear delineation of Trade Not Aid projects as examples of micro-enterprise income-generation schemes whose presentation to the public would be substantially reduced, in line with their contribution to the overall product range.
- Analysis of ingredients and other raw material or finished product supplies to determine source and what was or could be originated in the developing world. This to be followed by a prioritised programme for applying appropriate fair trading criteria and recognising areas where no such possibilities existed at present, and seeking ways to introduce ethical sourcing in future.
- Taking the work involved in the above point to trade suppliers and processors for their comment and encouraging their involvement and creative thinking. Stimulating appropriate trade associations to consider these issues and engaging with other users of similar basic ingredients, including competitors, in evolving practical schemes for improvement in standards of sourcing.

We believe that this was and remains a constructive and far from cynical approach, and we and many other ethical research groups would be reassured on this subject if The Body Shop had adopted it.

Richard Adams,
New Consumer,
Newcastle upon Tyne NE4 6JH

Need publicity for existing courses, not A-level reform

From Mr Huw Morris.

Sir, Your leader "A-levels fail the test of time" (August 22) rightly identifies the over-specialisation of students at 18 as a cause for concern, but your suggestions for reform ignore the wealth of qualifications already available.

At present students in England and Wales can choose between A-levels, NVQs, GNVQs, the international Baccalaureate and A/S levels. The last two admirably fulfil the function of the slimmed down A-levels you recommend. The main problem is not the nature of the courses, it is the lack of awareness of their existence. A further problem is created by universities' admissions procedures and employers' selection criteria which may lead to an inadvertent bias towards students with A-levels.

The time it takes to become familiar with any of the new qualifications and the volume of applications means admissions tutors and recruiters often fall back on what they know best, the A-level. As the introduction of GNVQs and NVQs continues over the next four years, reforming the A-level system would only add complications. The important message is less time should be spent finding new solutions and more time should be spent publicising and adapting to what is available.

Huw Morris,
29 Himley Road,
London SW17 9AR

Share options for the not so rich

From Mr Malcolm Hurlston.

Sir, May I correct the impression given in your column "Labour names share option 'millionaires'" (August 19) that the discretionary options scheme used for executives is different from that for other employees.

There is a single scheme under the 1984 Finance Act which covers all employees, whether executives or not. In practice it has been used mainly for executives and has become popularly known as a result as the "executive share option scheme".

This however is a misnomer and there is a current trend (Wellcome, the pharmaceuticals group, is an example) towards using the option scheme for large numbers of employees.

Malcolm Hurlston,
The Esop Centre,
London WC1E 7AA

Doubts over rail strike figures

From Mr Leslie Hadi.

Sir, If we are to believe the RMT's claim that 98 per cent of its members have remained loyal to the strike, there is a disturbing corollary. The fact that Railtrack still kept 40 per cent of the network open (presumably with no compromise on safety) suggests a frightening level of overmanning.

Could Jimmy Knapp please check his figures.

Leslie Hadi,
Edgware,
Middlesex HA8 8NZ

No mystery lurking behind employment statistics

From Mr Peter Robinson.

Sir, In his letter (August 19), John Wells raised concerns about the failure of the Department of Employment's statistics to show an increase in jobs to match the fall of 340,000 in claimant unemployment in the last 18 months. The employment data, derived from employer surveys, have long been subject to doubts about their reliability.

The Labour Force Survey of households provides an alternative measure of both employment and unemployment trends. The five most recent quarters of data available from this source show unemployment has fallen by 260,000 and employment has risen by 230,000. There is still a discrepancy – albeit a smaller one – explained by a continuing, but modest, fall in labour force participation rates for men.

As Mr Wells notes, labour force participation rates fall in recessions, but should improve in recoveries. However, this process operates with a lag. It takes time following the beginnings of a recovery for individual discouraged jobseekers to react to the signs of improvement and begin to re-enter the active labour force.

Comparing the last two quarters, male labour force participation rates steadied and the balance between employment growth and unemployment decline was more equal. If the recovery were to continue and strengthen, labour force participation rates for men and especially women would begin to rise, and further falls in unemployment would indeed have to be matched by significantly greater increases in employment.

It is not clear then from the LFS that anything particularly unusual or suspicious is happening. Mr Wells is, however, quite right to draw attention to the unsatisfactory nature of the official employment figures derived from employers.

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FINANCIAL TIMES

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Thursday August 25 1994

Remodelling Sweden

Sweden's Social Democrats will probably be returned to power in less than a month. If so, it will be because they have persuaded the electorate of two things, the first true, the second false: that they are best-placed to reform the economic model they built and that doing so can be painless.

As recently as 1987, commentators were revising their obituaries of the Swedish social democratic model. Though leftists had been forced into retreat elsewhere in Europe, the Social Democrat government in Sweden seemed to have bucked the trend. They had adapted the country's tried and tested economic remedies to global competitive pressures without, it seemed, losing the kinder face that Sweden's capitalism had always displayed. A steep devaluation of the krona in 1982, followed by fiscal "austerity" in the mid-1980s, had delivered a balanced current account, unemployment below 2 per cent, and a budget surplus of over 4 per cent of GDP.

Yet this was only a brief reprieve from the structural reforms on which Sweden's economic future now depends. As the country emerges from its deepest recession since the 1930s, its old remedy, a large devaluation in November 1992, has brought a recovery in the tradable sector. But it can no longer carry the rest of the economy on its shoulders.

The general government deficit is expected to be 11.5 per cent of GDP in 1994, while the stock of public debt, now 93 per cent of GDP, is on an explosive path. With government spending currently 67 per cent of GDP, fiscal retrenchment on a large scale is the only way out of Sweden's difficulties. Mr Ingvar Carlsson, the Social Democrats' leader, claims to understand this. Investors do not believe him. Last week they put enough pressure on the krona to trigger a surprise increase in interest rates from the central bank, and, at last, a meager SKr61bn (£5.1bn) – 4 per cent of GDP – deficit reduction package from Mr Carlsson.

Market scepticism

There are good reasons to share the markets' scepticism about his likely resolve if he comes to power after the September 18 election. With unemployment approaching 15 per cent of the labour force, Mr Carlsson knows that the electorate is in no mood for further austerity. Until last Friday, the Social Democrats had conspicuously avoided specific commitments to public spending cuts for precisely this reason. Even the new proposals are short on expenditure reductions, with the majority of savings to be gained by a combination of higher taxes and, less credibly, about Skr10bn in projected reductions in future debt interest payments.

Spending cuts

Lower interest rates are a fanciful expectation as long as Sweden lacks a government that can credibly promise to do more than nibble at public spending. Indeed, without such a promise, the economy will be trapped in a vicious spiral of rising long-term interest rates, followed by rises in short-term rates to defend the currency. This will add to the effects of fiscal tightening on domestic demand. But higher interest rates will also make tightening more urgent, by pushing the debt burden closer to breaking point.

If Mr Carlsson proves as protective of his public sector constituents in office as he has been on the campaign trail, the markets' fears can only be proved right. Yet the Social Democrats have foiled sceptics in the past: in 1982, it was a Social Democrat government which reversed the deficit spending of the preceding anti-socialist coalition, and later in the decade introduced sensible tax reforms and significant economic deregulation. They were able to do this, in part, because the population felt that the ethos of the Swedish model was safe in their hands, if not the detail.

A similar feeling lies behind the party's longstanding lead in the opinion polls. The population's trust would be well-founded if an incoming Social Democrat government used its mandate to explain why the public sector must be smaller and push through the measures needed to achieve this. In the hands of Mr Carlsson, such measures might, just might, come without abandoning the egalitarian spirit of Sweden's past, or its active approach to the labour market. But come they most certainly must.

England's local shambles

England's local government commission is about to complete its preliminary recommendations for shaking up the existing structure of county and district councils. But it is not too late for the government to call a halt to the process and avoid what threatens to be a shambles in local government.

Radical institutional reform can only be justified by urgent necessity. Of no English institutions is that more true than local councils, which have been chopped and changed almost to death in recent decades. Yet no adequate justification exists for the proposal to redraw most of England's local government boundaries, for the second time in 20 years, abolishing a host of local councils on the one hand while setting up a host of new ones on the other.

The decision to establish the local government commission was part of the move to scrap the poll tax in 1990. It was essentially a political ploy to reduce the humiliation of retreat. The ostensible argument was that a single-tier local government would improve accountability and enhance the links between voters and their councils.

It is no surprise that district councils which stand to gain from the abolition of county councils are enthusiastic at the prospect. However, beyond a handful of large cities anomalously subject to county councils, and a handful of counties – the product of the last reorganisation – enjoying little local loyalty, there is no evidence of widespread popular demand for the proposed revolution.

Derisory responses

Indeed, the reverse is true. Postal referendums conducted by the commission on proposed reorganisations have yielded derisory responses of little more than 5 per cent. The commission's chief executive claims that such a response would "utterly delight any commercial concern". But that spectacularly misses the point that reorganisation can only be justified as a response to strong local demand.

Then there is the cost, highlighted this week by the government's announcement that all the costs – estimated at about £1bn – will fall on localities. Local electors should not be fooled by talk of prospective savings, or the government's concession that it will allow councils to borrow for "unavoidable" costs.

Unlike the transitional costs, the financial benefits are largely hypothetical, and would certainly be negated by any decision of a future non-Tory government to establish strategic authorities above existing district councils. Such a decision is almost inevitable if most county councils are abolished, since districts are too small to conduct the strategic planning functions which many believe should be carried out at sub-national level. If counties are retained, they would be the obvious building blocks for that task.

Grave weakness

That, in turn, highlights another grave weakness of the commission. Its remit is to consider boundaries and tiers, not functions. Yet some of the weaknesses of the present regime could be tackled by a clearer allocation of functions between existing tiers, and in some cases by a straight transfer of functions downwards.

Instead of wholesale restructuring, the government should adopt a more pragmatic approach. Where change is believed to have strong public support – Bristol or Humberside, for example – district authorities should be allowed to hold referendums on divorcing themselves from their county council. Only if more than 40 per cent of registered voters support such a change should it go ahead.

That leaves the problem of local democracy, which is indeed in a sorry state. The solution, however, is not to be found in expensive musical chairs. It lies in the introduction of measures which render councillors truly reflective of, and accountable to, their voters.

Two necessary reforms stand out. Proportional representation for council elections would end local one-party states. And the use of advisory local referendums would give electors a direct say on local matters of concern to them, and force their councillors to say why they disagree if they refuse to follow. In the long term there is also a case for making councils responsible for raising more of the money that they spend. But a short while after the abolition of the poll tax is not the time to revisit the local tax system.

Lisa Wood says it may be difficult to identify savings in the UK publicly funded training budget

Suitable schemes for cutting

Mr Tony Cann, a Lancashire businessman, shakes his head at reports that Mr Michael Portillo, UK employment secretary, wants to slash the government's £1.8bn training budget.

"The free market will not sort out the training of young people and unemployed adults who are the main recipients of government-funded programmes," says Mr Cann, chairman of East Lancashire Training and Enterprise Council (Tec), one of 82 in England and Wales which administer publicly funded training on behalf of the employment department.

The Tecs, independent companies run by private-sector business leaders, have been thrust into the spotlight by recent, unconfirmed newspaper reports that Mr Portillo wants to halve their training budget. The debate over their future will be fuelled today when league tables are published showing how successful they have been over the past year in finding jobs for, and improving the skills of, unemployed people.

Mr Portillo, a standard-bearer of Thatcherite ideas and a keen supporter of freeing labour markets from state involvement, has made no comment about possible cuts; neither has he squashed media speculation.

As the government approaches its autumn spending review and looks for ways to cut the £50bn public-sector borrowing requirement, however, Mr Portillo is thought to be seeking ways to save some of his department's overall annual spending of £3.7bn.

Officials in his department say that he has asked them to detail expenditure on training programmes, and to assess both their value for money and the possible political reaction were training budget cuts to be agreed in the public expenditure negotiations. "We are at the shadow-boxing stage with the Treasury," said one official.

Any cuts in the training budget would be at the expense of the Tecs, which the government set up four years ago to take over the administration of publicly funded training. The two main schemes administered by the Tecs are Youth Training, a programme for young people with guaranteed places, and Training for Work, for long-term unemployed adults. Most have been jobless for more than a year.

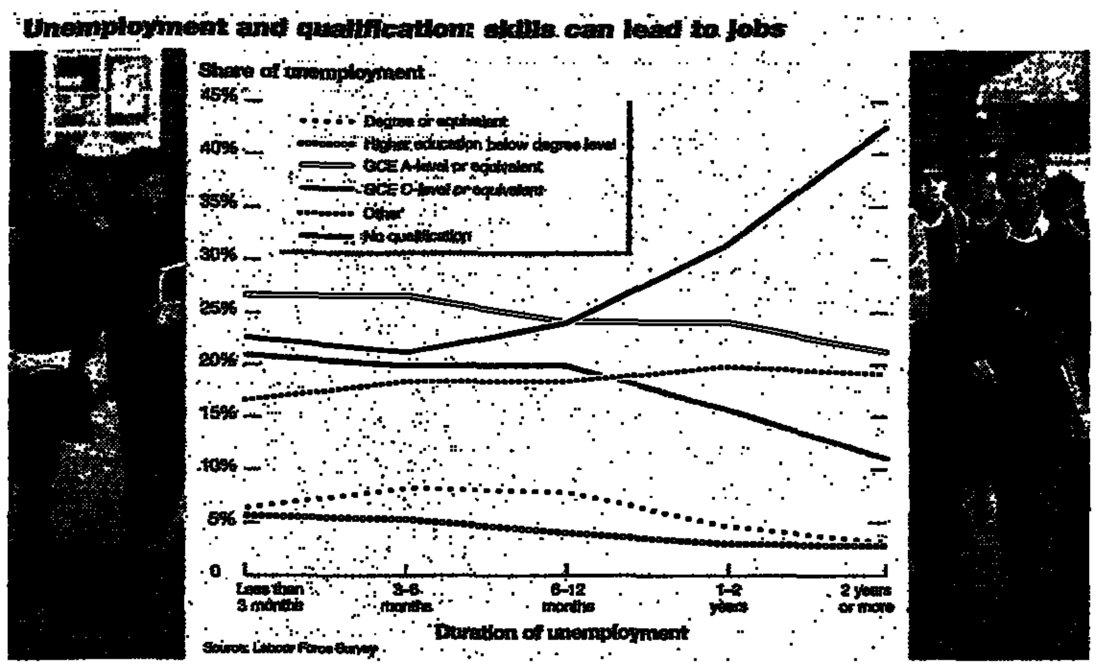
Tecs, which receive most of their £1.8bn funding for these two programmes, are allotted individual budgets under complicated formulas which take into account the levels of unemployment in their areas.

So how much scope is there for savings in the Department of Employment's training budget? And is the government prepared to curb the state's role in training amid general acknowledgement by industry that the UK's underskilled workforce is putting the country at a competitive disadvantage?

Speculation about Mr Portillo's agenda at his new department has been stoked by comments from a small group of rightwing Tory backbenchers, determined to minimise the role of the state. Mr Nick Budgen, a maverick rightwinger, is sceptical about the role of government in training. Offering training schemes to upgrade skills, he says, was intended only as a temporary measure in the 1970s.

"Now," he says, "training by the state is applauded as a permanent part of the economy. I want to question that." This reappraisal has not been on the political agenda for several years. Tory and Labour governments since the early 1970s have accepted that the state has a significant role to play in training the unemployed. Sustained economic growth alone is not seen as the solution to long-term unemployment, while market forces tend to under-provide the skills needed for workers to compete in an increasingly demanding jobs environment.

Unemployment and qualification: skills can lead to jobs



This view of the importance of state backing found some support in the recent white paper on competitiveness, published in May by Mr Michael Heseltine, trade and industry secretary. It said that government-backed training formed part of the "active measures" that a flexible labour market needs to help unemployed people back into work.

Mr Portillo's expenditure review will not only consider the strength of this argument but try to ascertain whether the two main Tec schemes offer value for money.

It will focus first on Youth Training. Despite the "guarantee" of a place for any young person that wants one, some 59,000 young people are estimated to be falling through the net – neither on a YT course, nor in a job. One of the main reasons that young people do not take up a YT place concerns the benefit allowance. If they receive training but no offer of a job, they are entitled to a state allowance of £29.50 a week, a sum which many consider too low. Were it to be cut, Mr Peter Ashby, of Full Employment UK, an employment consultancy, says: "The YTs' reputation will fall further, with more young people joining those who drop out."

Mr Ashby points out that the government plans to upgrade training for young people with the introduction of "modern apprenticeships". These aim to provide higher skills than currently achieved through YT. Mr David Hunt, shortly before the cabinet reshuffle which ended his term as employment secretary, pledged extra government funding for this more expensive programme, also to be administered by Tecs, to encourage employers to take on trainees. Any cuts Mr Portillo might contemplate in the scheme, would undermine what the government sees as a flagship venture.

The main area which Mr Portillo is likely to look at, therefore, is the £705m-a-year Training for Work scheme for unemployed adults, which replaced Employment Training last year. The programme has been criticised for several failings – even by some Tecs, which suggest that fewer people should be accepted on the scheme but more money should be spent on training individuals, who receive £10 a week plus their unemployment benefits. Detractors, including Labour MPs such as shadow transport secretary Mr Frank Dobson, a former employment spokesman, claim that fewer than a third of participants get jobs.

However, the league tables to be published today may dispel some of the criticisms about the performance of Training for Work. Most Tecs are expected to show improvements in finding jobs for the unemployed, despite progressive cuts in funding to programmes for the unemployed over the past three years. Mr Mike Nixon, chief executive of North London Tec, which now gets 54 per cent of Training for Work participants into a job compared with 10.65 per cent when it inherited the scheme, says: "TFW is now looking good."

In his search for savings, Mr Portillo may decide that cheaper, non-training alternatives to Training for Work offer one solution. Job Clubs, for example, provide short courses where the unemployed learn basic skills to "enhance their job-hunting techniques", such as how to fill out a curriculum vitae. The clubs seek to get people back into work quickly without upgrading their work skills.

Employment department officials will probably tell Mr Portillo that it is difficult to compare the long-term success of training schemes with that of Jobclubs. It may initially be cheaper to get an unemployed person back into work through a Jobclub, but many such jobs are short-lived, while an individual whose skills have been upgraded may get a better-paying, permanent job. Employment department officials believe the trade-offs between funding and jobs are more complex than they may appear.

The employment secretary will have to weigh up the relative gains provided to the individual and to the overall UK economy by publicly funded training schemes. Even if he decided to slash the £705m cost of Training for Work tomorrow, the government would still be faced with a massive unemployment benefits bill. In addition, about a quarter of the UK's training budget for unemployed adults comes from the European Union, which would be lost if the Tecs' main scheme was axed.

Mr Portillo's cost-cutting choices will thus be limited. Some Tecs could undoubtedly improve their performance, but cutting the amount they can spend on unemployed individuals may not enhance their success rate. Mr Chris Humphries, policy director of the Tecs' National Council, says: "I believe the league tables will show substantial improvements. We hope that this will be acknowledged by maintenance of budgets, not cuts."

Roland Rudd suggests the upper chamber of the UK Parliament is ripe for the bin

Time to go, m'lords

Viscount Cranborne's appointment last month as leader of the House of Lords may represent a sense of continuity in the government's eyes – Robert Cranborne is a member of the Cecil family, which has held high office, off and on, since the reign of Elizabeth I. But it also underlined what is wrong with the second chamber of the UK Parliament: those given influence are determined largely by birth.

No disrespect to Lord Cranborne, who may turn out to be a good leader of the upper house, but the right of British prime ministers to bring hereditary peers into cabinet is blatantly undemocratic and should be abolished.

Imagine the outcry in the western world if the descendants of Lenin inherited the right to sit in a second chamber and were then appointed to government by President Boris Yeltsin of Russia.

The only difference in the UK is the so-called pedigree of those who owe their power to their birth. Defenders of the status quo might argue that, by bestowing this right on aristocrats, Britain is able to pick ministers from families who have produced leaders for generations. But irrespective of whether the upper classes make better leaders – an assumption which is deeply spurious – there is the awkward fact that all aristocratic families started off as commoners and some as rogues.

There are dukes who owe their right to sit in the Lords to their descent from mistresses of Charles II, and lords to the fact that their descendants financed the British garrison in Ulster in the 17th century. There is a leitmotiv in all this: money buys class, and money is no guarantee of good leadership.

This does not mean that the reverse is always true – that the Lords always makes the wrong decisions because more than half of its members are hereditary peers. Indeed, it has recently provided a valuable service in watering down government plans to weaken defendants' right to silence and blocking changes to the compensation system for criminal injuries.

But the fact that it occasionally, and by accident, does the right thing, does not in itself justify the

Things which never would be missed

House of Lords' existence.

The question then becomes how best to get rid of it? Tony Benn, the veteran leftwing MP, had an interesting wheeze in the early 1980s. A Labour government would appoint 1,000 new peers, with excellent proletarian credentials, who would vote themselves out of existence at the earliest opportunity.

There was only one problem. How would the new Labour peers differ from the old ones who, once installed in the splendour of the upper house, have sought to defend it? The son of the first Viscount Stansgate was unable to produce a satisfactory answer.

Mr Bruce Grocott, the Labour MP for the Wrekin who has influenced new Labour leader Mr Tony Blair's thinking on the upper chamber, believes he may have found a solution. The right of those who have inherited peerages to sit in the Lords would be abolished. But the institution would remain intact, at least during the first term of a Labour government.

The attraction of Mr Grocott's idea is that more than 400 of the 1,203 members of the second chamber, who were appointed by politicians, would survive. So they would have no reason to try to block change and, together with some hereditary members, could vote through the reform. Furthermore, the first holders of a hereditary peerage would also still participate in the Lords' proceedings.

This is a nice refinement to Labour's policy during the early 1980s of straightforward abolition. It would allow hereditary peers such as Viscount Whitelaw (former deputy prime minister) and Viscount Tonypandy (a former House of Commons speaker) to remain in place.

It is not that the Labour party has a particular affinity with the first holders of hereditary peerages, but it fears anything more ambitious would be too controversial and would dominate the first year of a Labour administration.

Such proposals, however, would leave a rump organisation that many Labour MPs acknowledge would still be undemocratic. Reform of the Lords has long been discussed but nobody has yet come up with workable proposals. It is not for nothing that it recently won the Graham Taylor Lifetime Achievement Award (named after the less-than-successful England football manager) from civil rights pressure group Charter 88 for the institution that has defied seemingly insuperable odds and survived.

Surely the lesson is that there is no middle way. Outright abolition is the only option.

OBSERVER

Not in my backyard

■ They seem to be acting up in the colonies again. Some free spirit has decided to organise a Monarchy and Australia Conference at the Australian High Commission next month and not invite anyone from Buckingham Palace, though it is but a short carriage-ride away.

The conference will concentrate on such weighty themes as "Monarchy to Republic: into the symbolic void", "How I gave up the Monarchy and came to love the Commonwealth", and "Rank desire: the imperial underbelly of the order of Australia". Professor David Cannadine, that well-known royal basher, heads a cast of speakers which includes Tom Nairn on "The Chances for a Scottish Republic", and the ubiquitous Marina Warner on "From Britannia to Lady Di".

Admittedly, not all of them have a Republican bent and there will no doubt be a few nods of approval to Sir Robert Menzies, who loyally served the monarchy as Australian prime minister for 16 years.

The old boy once told the Queen that in his country "every man, woman and child who even sees you as a passing glimpse will remember it with joy. In the words of the 17th century poet: 'I did but see her passing by. But yet I love her till I die.'"

He must be turning in his grave at the news that the Sir Robert Menzies Centre for Australian Studies at the University of London is sponsoring the event.

Midge too far

■ If you bump into a building worker from Miller Group, whatever you do, don't compliment him on the sweet-smells emanating from his body.

For he may be involved in constructing the bridge across the Kyle of Lochalsh to Skye in Scotland, and be a mite sensitive about his current bathing habits.

His pals have discovered one certain prophylactic against the dreadful biting midges which plague the site whenever the Hebridean winds abate.

Thanks to cosmetic company Avon's Skin-So-Soft bath oil, they can now get on with the job in peace.

And they might *not* be in a joking mood in the pub after the day's work is done.

Academic pull

■ To lose one Treasury official may be regarded as a misfortune, to lose two . . . At the beginning of next month, just when all international eyes will be on Italy's 1995 budget plans, treasury minister Lamberto Dini will be waving *arrivederci* to a couple of his lieutenants.

Francesco Giavazzi, who has played a prominent role in recent

'As a politician he was a great novelist'

privatisations, is returning whence he came two years ago, namely Milan's private Bocconi University. Meanwhile, Alberto Giovannini, also only *in situ* since 1992, plans to chuck in his job as head of the Treasury's international borrowing division.

He is likewise returning to his former stable, New York's Columbia University, this time as professor of international business.

The G2, as they are known for their joint work on international monetary arrangements, go protesting loudly that they have not fallen out with Dini. But the latter will miss their intellectual clout.

All he needs now is for his director-general Mario Draghi to be wafted across to his own old job – number two at the Bank of Italy.

WilTel, won't tell

■ Travellers along the information superhighway must still watch out for the potholes.

When LDDS, a US long-distance telephone company, announced its $2.5bn acquisition of WilTel, an advanced fibre-optic operator, reporters keen to learn more about the deal were given a toll-free number to join in a telephone conference-call hosted with WilTel's big cheese.

But the first call to the assigned number went unanswered. On redialling, it produced an engaged tone. After that, nothing. When the conference call finally started, there was not enough room for everyone who wanted to join in. Those left out were given the option of either listening to a replay of the conference later in the afternoon – too late for most newspaper deadlines – or waiting for a faxed transcript the next day.

Oh bright dawn of a new age.

Who's on next?

■ Spotting the succession at any family company is a tricky job, and particularly so when the company is as secretive as The Paul Raymond Organisation which owns a large chunk of Soho's nightlife. However, Raymond is getting on – he turns 69 this year – and the tragic death of his daughter Debbie means that there is no obvious heir apparent.

Hence Joe Daniel's appointment as group managing director might give a few clues about what happens to one of Britain's most profitable private companies when Raymond eventually heads for the great night club in the sky.

Given that he was managing Barclays Mayfair business centre until a few weeks ago, Daniel should know his way around the business world of night-time London.

Not that Raymond seems in need of any help from his bankers. According to his last report and accounts, he made pre-tax profits of £18.3m on turnover of £29.8m and employed 83 staff.

He might not be the richest man in Britain, but there can not be many who can boast of no gearing and £25.7m of cash in the balance sheet.

Grilling

■ First, The Savoy hotel group halves the pay-out on its A shares, then Giles Shepard, its managing director, emerges as catering adviser to the British Army.

So is our next concern to be a halving of the peace dividend, a disgruntled Savoy shareholder enquires.

FINANCIAL TIMES
Thursday August 25 1994

Foreigners may take majority stakes in their own ventures

India to liberalise drug industry

By Stefan Wagstyl in New Delhi

India is about to announce partial liberalisation of its pharmaceutical industry, in a move which would cut price controls and allow foreign groups to take majority stakes in their Indian ventures.

The announcement, expected in the next few days, will help revive confidence in the government's commitment to economic reform and counter criticism that the liberalisation programme started three years ago is flagging.

The Indian drugs industry has operated for many years under a strict regime of price controls aimed at ensuring that even the poor have access to pharmaceuticals. Premier P.V. Narasimha Rao was initially reluctant to liberalise the industry, for fear of provoking a backlash from those who feared deregulation would lead to socially unacceptable price increases.

He now wants to promote investment in the industry, but important curbs will remain.

Under the new rules, the number of drugs which cannot be sold above government-specified prices will be cut from 142 to 73. Drugs, which now come under price controls if their annual sales exceed Rs5m ($160,000), will in future be free of controls unless their sales exceed Rs40m a year.

Foreign companies, at present limited to minority stakes in Indian affiliates, will be permitted to buy up to 51 per cent stakes in companies making bulk drugs, the staples of the industry. The number of drugs that can be made only by state-owned drugs companies is being cut.

The government hopes the new policy will encourage Indian companies to invest in research and development. Until now, they have spent little on research. Foreign companies are unlikely to rush into India because they are concerned about the country's patent laws, which recognise only process patents and not product patents. This means that Indian drugs companies can copy western products as long as they find a slightly different way of making them.

Under the General Agreement on Tariffs and Trade's Uruguay Round accord, India has pledged to strengthen its patent laws, but the legislation has yet to come before parliament.

"It's one step forward but falls short of the industry's expectations," said Mr Anant Thakore, president of the Indian Drug Manufacturers Association, India's largest industry association with over 800 member companies.

Wellcome launches US patent suit

Continued from Page 1

total sales likely to be worth more than $1.3bn this year, Zovirax is the fifth biggest brand of prescription drug in the world, according to stockbroker Lehman Brothers.

The legal action is a distraction for SmithKline for which Famvir is one of its most promising new products. The UK company's new chief executive, Mr Jan Leschly, has already launched it into acquisitions and new markets.

Ms Jo Walton, analyst at Lehman Brothers, said that if SmithKline lost the legal action it could be forced to pay a royalty to Wellcome. Withdrawal of the drug was unlikely.

The action relates to the biochemistry of the two drugs. As well as alleging that Famvir and Zovirax break down inside the body to virtually identical active ingredients, Wellcome argues that the method by which Famvir is absorbed was previously patented.

Famvir is available only in the US and the UK, where it was launched in January this year. A brief price skirmish between the two companies in the UK resulted in a price cut of 5 per cent for Zovirax. There was no such skirmish in the US and the two drugs have "parity on costing", said SmithKline.

Wellcome shares rose 11p to 720p and SmithKline Beecham's 'A' share lost 2p to 446p yesterday. Wellcome said legal action outside the US was unlikely.

Cuba camps

Continued from Page 1

ship. Earlier yesterday, Mr Fernando Remirez de Estenoz Barciela, Cuba's ambassador to the United Nations, said his country was prepared to discuss the refugee problem, but only as part of broader negotiations, including the trade embargo against Cuba and the presence of the US at the Guantánamo base.

Foreign securities firms to set up branches in Taiwan

By Laura Tyson in Taipei

Taiwan's Securities and Exchange Commission is expected to announce final approval today on applications by eight foreign securities houses to establish branches on the island as part of a broader deregulation of the securities industry.

The SEC yesterday said Japan's big four securities firms (Nomura, Daiwa, Yamaichi and Nikko), Britain's Baring Securities and S.G. Warburg, W.I. Carr (the broking arm of Banque Indo-Suez of France), and Goldman Sachs of the US, were qualified to upgrade their representative offices to branches.

Until now, Merrill Lynch has been the only foreign brokerage permitted to have a branch in Taiwan, allowing it to engage in a wider range of business activities than those houses limited to representative offices.

The Taiwanese government, which has itself had a vested corporate interest in a closed market, now suggests that it would like to develop the island as a regional financial centre.

The liberalisation of the financial industry, which was long closed to foreign institutions, is also part of Taiwan's campaign to gain admission to the General Agreement on Tariffs and Trade.

S.G. Warburg said last night that it was "delighted" at the decision, which had followed its application for a branch office licence earlier this summer.

Taiwan last year eased the capitalisation rules for foreign brokerages to set up a branch on the island, lowering the minimum capitalisation from T$200m to T$100m ($7.5m to $3.78m). But foreign brokers are still required to have operated a representative office for a year before they can apply to set up a branch.

In another liberalisation move, the finance ministry said yesterday said it would allow new local companies to underwrite short-term paper, as long as they have a minimum capitalisation of T$2bn.

The government also said that, in the longer-term, banks would be able to expand their activities by underwriting commercial paper. Banks are currently banned from underwriting commercial paper.

In a related development, the finance ministry plans to break the monopoly held by the Kuomintang-controlled Fuh-Hwa Securities Finance Corp, Taiwan's only margin finance lender.

Blood clot protein identified

Discovery may lead to drug to prevent thrombosis

By Andrew Derrington in London

Scientists have taken an important step towards finding a drug to control blood clotting, which causes heart attacks, strokes and other fatal and disabling diseases.

The team – from Oxford and Edinburgh Universities, and the Medical Research Council clinical centre in Harrow – have identified the structure of a protein called tissue factor, which triggers blood clotting, or thrombosis. Their findings are published today in the journal Nature.

"More than half the premature deaths in the western world are thrombosis-related," said Professor Edward Tuddenham, of the MRC centre.

Thrombosis is triggered when tissue factor combines with Factor VII, another protein in the blood. This starts a biochemical chain reaction that ends in the formation of a solid clot, which may block a blood vessel and cause damage. "Solving the structure of tissue factor represents a very important step towards the discovery of new drugs," said Dr Hamish Humphray, a scientist at Glaxo pharmaceuticals.

It will allow the development of potential drugs that will block thrombosis by inhibiting the interaction of Factor VII and tissue factor.

Some compounds are aleady being tested by drug companies. But the details of the structure of tissue factor will make it much easier to find the most effective potential drug.

Once a potential drug has been identified, animal trials will be used to check its effectiveness and test toxicity. Clinical testing could begin a year later. Because of the long approval process, it could be at least 10 years before a drug is marketed.

The three groups of scientists in the team are from different fields. Only the MRC group work on blood clotting. The Edinburgh biochemists made pure crystals from the protein, and the Oxford group used X-ray crystallography to work out the structure.

A number of drugs that inhibit blood clotting are already used in heart disease. New drugs in the field include Ciba's Hirudin, which is derived from leech anticoagulant, and Biogen's Hirulog. They all act by blocking the later stages of the clotting "chain-reaction".

A drug that acted on tissue factor could be more effective because it could begin working earlier in the blood clotting process.

At each step in the clotting process, the number of molecules involved increases a millionfold. Drugs that act early in the chain have much less work to do.

Drug companies are already screening compounds that inhibit tissue factor, but knowledge of the structure should make the screening process much faster.

THE LEX COLUMN

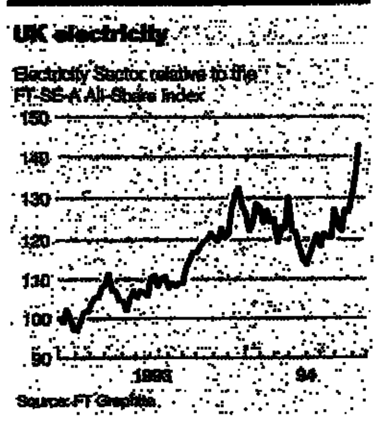
IBM bytes back

IBM had no choice but to match Compaq's sharp price cuts for personal computers. Big Blue has already lost lead position in the US pc market to its slimmer and faster rival and cannot afford to see the erosion go much further. Even so, the company will be hard pressed to win a head-to-head price war. Compaq not only has lower costs. It has proved more adept at selling its boxes through dealers and has successfully established a reputation for selling high quality computers at low prices. Given that IBM's pc business is scarcely profitable, the price cuts of up to 27 per cent will cost it dearly.

IBM's only alternative would be to differentiate its products from those of its rivals. Until recently, that seemed its strategy. It planned to push PowerPC, the chip it has developed with Apple and Motorola, as a new industry standard for personal computers. The snag is that software is typically written to work with the Intel chips which sit inside most pcs and, without a wide range of software, customers are unlikely to switch technology. The latest comments from IBM's new pc chief Mr Rick Thoman indicate that he is retreating from the PowerPC strategy.

IBM is therefore reduced to joining the price war. To hold its own, the pc division will have to slash costs and transform its sleepy culture. IBM, under its chairman Mr Louis Gerstner, has already surprised financial markets by how quickly it can cut costs. So success cannot be ruled out. In the meantime, the real winner from the price war will be Intel.

FT-SE Index: 3205.2 (+30.1)



Source: FT Graphite

Wellcome/SmithKline

Investing in pharmaceuticals companies was risky even before the recent proliferation of legal actions. Glaxo is already entangled in the US courts trying to defend its best selling product. Now Wellcome has followed suit, claiming that the US patents of its anti-viral drug Zovirax have been infringed by SmithKline Beecham's Famvir. In both cases investors are left groping for hard information.

In theory it should be possible for the stock market to assess such legal challenges by considering the chances of success or failure and the potential profits at risk. Since Famvir has only been on sale for a matter of weeks, though, even short-term forecasts are tricky. And it would take an expert on US patent law to make a credible guess at Wellcome's chances of success. If the case ends up being heard by a North Carolina jury rather than a judge, as Wellcome has requested, the outcome will be even more unpredictable.

The best that can be said is that the case is probably more important for Wellcome than for SB. On even the most optimistic forecasts, US sales of Famvir will account for a relatively small proportion of SB's profits by the end of the decade. If Wellcome could clear the field for its own anti-viral products the outlook for it would be markedly brighter. The rise in its shares yesterday may reflect that line of thought. The snag is that resorting to the courts undermines Wellcome's earlier argument that competition would be good for Zovirax by increasing awareness among doctors and expanding the market.

W.H. Smith

Those seeking reasons for not buying shares in W.H. Smith have rarely had to look far. Of late they have been spoilt for choice. They could worry about monopoly inquiries into newspaper distribution or compact discs, the losses at Our Price, the group's ability to compete in a low inflation world, the future of the Net Book Agreement, the rising tax charge, the falling pension credit, or the continuing nightmare that is Do It All. For the really fastidious there was even a two tier share structure.

Now the doubters are having to work harder. The two classes of share have gone, Our Price is back in profit, the group has shown it can live without inflation and it rightly sees the likely collapse of the NBA as an opportunity to gain market share. Even losses from Do It All are coming down and will be largely swept under the carpet this year.

The pessimists can still fret about the growth prospects for the W.H. Smith chain. But there remains room to tickle up margins, as the investment in technology continues, and it is now taking advantage of weakened competitors to open more space. The Virgin and Waterstone's formats still have a long way to go, with the full benefits of integration into the group yet to come, and there are clearly the makings of a useful business in the US even if the – reassuringly cautious – expansion in book retailing comes to little. Add the fast-growing office supplies business to the mix and Smiths has a good story to tell. Given fewer distractions, the sceptics might just start to believe it.

UK electricity

Seeboard's purchase of 2m of its own shares should herald the beginning of a wholesale capital reconstruction of the electricity sector. But shareholders will only derive the full benefits if regional electricity companies reshape their balance sheets with vigour. Seeboard's buy-back corresponds to less than 1 per cent of its equity. Even buy-backs of 10 per cent – the maximum most companies have the authority for – would still leave the industry with gearing of about 10 per cent. Companies should be thinking of cutting their equity by at least twice that amount.

The immediate advantage of a buy-back is to boost earnings per share. The consequent loss of interest income is more than compensated for by the cancellation of shares. Analysts estimate that, for a typical rec, buying back 10 per cent of its equity would enhance eanings per share by roughly 5 per cent. Another advantage for shareholders is that a buy-back reduces the risk that cash could end up in somebody else's pocket. It is not merely that managements might embark on unwise acquisitions. Cash piles could also prove an easy source of taxation for an incoming Labour government.

Whether Seeboard has chosen the best way of handing cash back to its shareholders is more questionable. Recs will have to pay advance corporation tax on share purchases through the market. For tax-exempt investors, a share tender or some other mechanism that allowed them to reclaim tax would be preferable.

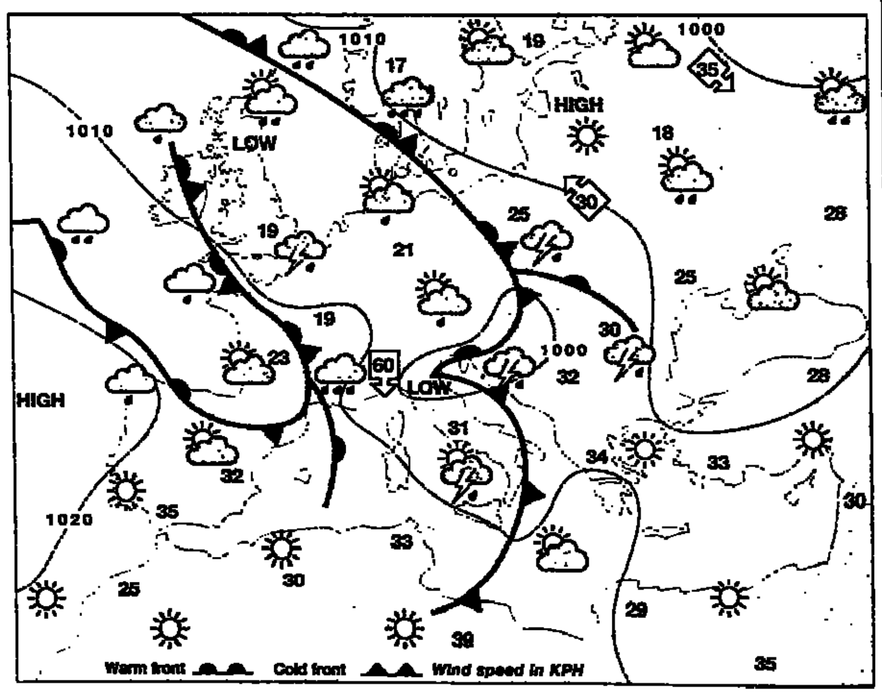
FT WEATHER GUIDE

Europe today

A strong westerly air flow will spread further into the continent. As a result, bands of rain from the Atlantic will move quickly east, sweeping into the Low Countries and France. The British Isles will have sunny periods and showers. The Benelux will experience frequent showers, some with a crack of thunder. Temperatures will be unseasonably cool. An active front will give periods of heavy rain in a zone from southern Scandinavia across Poland into the Alps. Southern Europe will become gradually unsettled. Most of Spain will be quite sunny and dry. Italy will have variable amounts of cloud with some thunder storms. Greece and Turkey will have a lot of sun. High pressure over Finland will give sunny spells over northern Scandinavia.

Five-day forecast

North-west Europe will be changeable as strong westerly winds bring several disturbances. An active frontal zone over central Europe will promote another spell of heavy rain over Poland, eastern Germany and southern Scandinavia, especially on Friday and Saturday. Southern Europe will be mainly settled and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

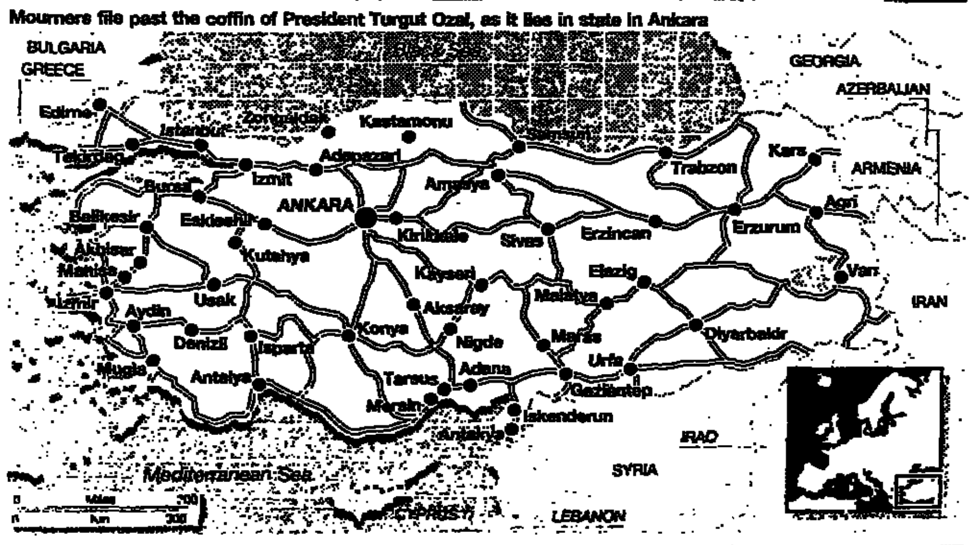
		Maximum Celsius
Abu Dhabi	sun	40
Accra	shower	29
Algiers	fair	30
Amsterdam	rain	18
Athens	sun	33
Atlanta	fair	31
B. Aires	fair	17
B.ham	fair	18
Bangkok	rain	33
Barcelona	fair	27
Beijing	sun	31
Belfast	shower	17
Belgrade	shower	32
Berlin	shower	18
Bermuda	fair	32
Bogota	shower	18
Bombay	rain	31
Brussels	rain	17
Budapest	shower	25
C.hagen	rain	17
Cairo	sun	34
Cape Town	fair	21
Caracas	thund	27
Cardiff	shower	18
Casablanca	fair	24
Chicago	cloudy	32
Cologne	shower	19
Dakar	shower	30
Dallas	fair	38
Delhi	shower	30
Dubai	sun	40
Dublin	shower	18
Dubrovnik	fair	30
Edinburgh	shower	17
Faro	sun	28
Frankfurt	shower	21
Geneva	shower	20
Gibraltar	sun	30
Glasgow	shower	17
Hamburg	rain	19
Helsinki	fair	19
Hong Kong	fair	32
Honolulu	cloudy	33
Istanbul	sun	29
Jakarta	fair	32
Jersey	shower	18
Karachi	cloudy	33
Kuwait	sun	45
L. Angeles	fair	25
Las Palmas	fair	27
Lima	cloudy	19
Lisbon	fair	28
London	fair	20
Lux.bourg	rain	16
Lyon	cloudy	21
Madeira	fair	25
Madrid	sun	32
Majorca	fair	28
Malta	sun	34
Manchester	shower	17
Manila	thund	33
Melbourne	shower	17
Mexico City	thund	22
Miami	thund	32
Milan	shower	28
Montreal	shower	23
Moscow	fair	17
Munich	rain	15
Nairobi	fair	25
Naples	sun	27
Nassau	thund	33
New York	fair	28
Nice	fair	26
Nicosia	sun	38
Oslo	rain	18
Paris	shower	19
Perth	shower	23
Prague	rain	15
Rangoon	rain	29
Reykjavik	shower	13
Rio	fair	22
Rome	sun	28
S. Frsco	fair	23
Seoul	thund	30
Singapore	cloudy	32
Stockholm	shower	19
Strasbourg	fair	20
Sydney	sun	19
Tangier	sun	27
Tel Aviv	sun	32
Tokyo	cloudy	28
Toronto	shower	26
Vancouver	fair	22
Venice	shower	25
Vienna	rain	18
Warsaw	fair	22
Washington	fair	30
Wellington	shower	14
Winnipeg	fair	24
Zurich	shower	17

TURKEY

SECTION III

Friday May 7 1993

Mourners file past the coffin of President Turgut Ozal, as it lies in state in Ankara



A country in the throes of change has suddenly been deprived of its leader. Many of Turgut Ozal's achievements are irreversible, but Turkey still faces daunting problems with the added danger of political instability. The process of choosing a new president begins tomorrow.

Shaking the kaleidoscope

By John Murray Brown and Edward Mortimer

TURKEY TODAY is a country in the throes of dramatic change, both internal and external. With the highest growth rate in the Organisation of Economic Co-operation and Development (OECD), it also has inflation running at over 50 per cent.

Its economy has opened decisively to the outside world in the last ten years, and a full customs union with the EC is scheduled for 1995. Meanwhile, the strategic environment has been *turned upside down* by the end of the cold war, and the country finds itself surrounded by zones of conflict and instability. Its own south-eastern region has for 8½ years been the scene of a bitter civil war, which just may now be close to a peaceful conclusion.

At this decisive moment in its history, the country has been deprived of the leader who in the last decade did most to shape its destiny. President Turgut Ozal died on April 17, and parliament votes tomorrow in the first of four *possible ballots to choose his* successor. Although for the last year and a half he has been in office rather than in power, his influence remained considerable, and his death has shaken the political kaleidoscope.

Ozal was the architect of Turkey's economic recovery and an unflinching supporter of its traditional pro-western foreign policy.

The emergence of a consumer society, the revival of the search for a European identity, Turkey's robust support of the US-led coalition against Iraq: on all these issues Ozal forced Turks to look at themselves and their country anew.

He also played an important part in the creation of the Black Sea economic co-operation forum last year, and in encouraging closer links with the Turkic-speaking central Asian states.

His power to influence policy, uncontested during the Gulf war and its Kurdish aftermath, had not been the same since the defeat of his Motherland Party in the November 1991 general election. Yet no Turkish party or politician can afford to ignore his impact.

The economic reforms he put in place in the early 1980s laid the ground for Turkey's buoyant return to health after the stop-go performance of the previous decade. After ten years of growth averaging more than 5 per cent, *Turkish society* today is much more open, and Turks themselves more self assured. The country's membership of the European Community may still be a distant dream, but the westernising trend continues apace.

President Ozal was criticised for challenging the secular leg*acy of Mustafa Kemal Atatürk*, the republic's founder. Yet even the social democrats – political guardians of secularism – are starting to rethink the doctrine of Kemalism, which was used to justify the military's intervention three times between 1960 and 1980. Another charge against Ozal was that he gave free rein to radical Moslem elements. Politicised Islam is certainly a persistent, if small, force, but there are few politicians who believe it cannot be contained within Turkey's secular democracy.

On foreign policy, while powerless to prevent the rash of regional conflicts, Turkey is learning to use its growing diplomatic weight to urge moderation on both Armenia and Azerbaijan in the Caucasus, and to galvanise the west to firmer action in Bosnia where Turkish F-16 jets under Nato command are now helping enforce the UN no-fly zone.

Yet Turkey can ill afford a long period of party bickering. The country has an urgent agenda ranging from the Kurdish insurgency through relations with the EC to the economic problems highlighted in a recent OECD report.

A breakthrough in the conflict with Kurdish separatists, seems now to be in sight, but success is by no means assured. Ankara *has yet to* frame its response to the ceasefire declared in March by the Kurdistan Workers' Party (PKK). The cessation in hostilities provides an opportunity for the administration to apply *its judicial and human rights* reforms in the Kurdish-speaking region, which until now has been largely denied them, owing to draconian special measures used in the fight against terrorism. A big economic development package has also been announced, but it remains to be seen how far *the Turkish state will go* in allowing the expression of a distinct Kurdish identity through political parties, or through the use of the language in schools, broadcasts and administration.

On Europe, too, negotiations are at a turning point as Turkey and the EC enter the last *lap in their progress to acus*toms union. By the end of 1995, if all goes to plan, Turkey should have lifted all import restrictions on EC goods and adopted the Community's common external tariff. There will almost certainly be an attempt to link Turkey's reforms with EC concessions on textile imports, currently limited by a quota arrangement which is technically in breach of the 1964 Association Agreement.

As the deadline approaches, Turkey's powerful industrial lobbies will no doubt try to cling on to their privileges. But no government can long continue to let Turkish industrialists produce high-cost inferior standard products behind a wall of protective tariffs. Turkish consumers and foreign investors alike will want a clear signal from Ankara of its commitment to open the Turkish market. Any slip-up at this first hurdle would deal a severe blow to Turkey's long term ambitions for full EC membership.

In 1992, the gross domestic product grew by 5.9 per cent –faster than any other economy in the OECD. But with the population also increasing by 2.1 per cent each year, there is little room for error.

Some progress has been made to close the budget gap, but the underlying trend of *inflation is increasing, and the* administration still has to prove it is serious about tackling the mounting problems of the state enterprises. As a result, investment has all but stopped.

Challenging enough even to a government with a strong hand on the helm, Turkey's troubles could suddenly seem insurmountable if a period of political drift sets in.

By itself, President Ozal's death would have been sufficient to stimulate a bout of national introspection. But *when it emerged that his great* rival, prime minister Süleyman Demirel, was likely to stand as a presidential candidate, the way ahead was suddenly clouded with uncertainty. For while Demirel could be reasonably confident of success, the succession *to him* as leader of the True Path Party (DYP – the largest in the present parliament) is much less obvious. The leader of that party would certainly be asked to form the next government, but it is by no means certain that the present coalition of DYP and social democrats will continue. And should parliament by any chance fail to elect a new head of state, after four ballots it would be automatically dissolved and the country plunged immediately into a general election.

The politicians may yet see themselves through the *morass*. A *smooth handover* would provide the best guarantee of the durability of the political and economic reforms set in motion by the late president. But elections for the presidency are always fraught in Turkey, *even though it is a* largely ceremonial post. This time will provide a thorough test of the maturity of the political system, and any further political and economic reforms must remain in doubt as long as the threat of early election hangs over the parliament.

The promised land is still some way off. Whatever administration emerges, the challenges confronting Turkey remain awesome. But there can now be no turning back from the road on which Turgut *Ozal struck out.*

IN THIS SURVEY

Politics: at a time of great uncertainty, **John Murray Brown** considers what may happen next

A new generation may now get its chance

PRESIDENT Turgut Ozal's sudden death from heart failure on April 17 was a severe blow, setting off an unpredictable chain of events.

If the loss of Mr Ozal is followed by a decision by prime minister Süleyman Demirel to stand as a candidate for the presidency, this would remove the two principal actors from the Turkish political stage.

One possibility is that the present turmoil will eventually encourage the two right-wing parties to join forces. It may also result in a reunification of the left. This in turn could force through a new generation of younger Turkish politicians. These, at least, are the hopes of many Turks.

It would be hard to imagine the True Path (DYP) party without Mr Demirel, if he gives up the leadership to become president. Yet much the same was said of the late Mr Ozal when he had himself appointed to the presidency in 1989. In the event, after a bitter internal struggle, the Motherland Party (Anap) emerges today with a good chance of winning the next election under Mr Mesut Yilmaz, a leader of experience and a former prime minister.

Few of the parliament's 450 deputies appear anxious to settle the issue with early elections. Without Mr Demirel at the helm to steer the party through the next election, many DYP parliamentarians would expect to lose their seats and, more important, lose the lever of patronage that goes with it.

The question of who would succeed Mr Demirel as DYP head has first to be settled. Various names have been put forward, including that of interior minister Ismet Sezgin, a respectable if uninspiring figure. Mrs Tansu Çiller, the feisty economy minister, has made no secret of her leadership ambitions, although conservative elements in DYP may block her. Parliamentary speaker Husamettin Cindoruk would be a more popular choice, although his maverick stance on issues in defiance of the DYP has alienated some party support.

The right-wing parties may join forces – with reunification on the left

The search for a new leader could well lead to the collapse of the 17-month old coalition with the Social Democratic Populists (SHP), and the painstaking formation of a new government.

Turks have put up with a lot to secure their democratic traditions. If the history of coalitions is a fairly unhappy one, it nonetheless underscores the unstable nature of Turkish political loyalties. Since 1960, the country has seen three military coups. Successive interventions have left the political landscape riven with fault lines.

But today, particularly among young people, there is a growing disillusion with the old-style patronage politics. Like peers in the House of Lords, Turkish deputies have come under public fire, the latest target being the parliament's appalling record of absenteeism.

Apart from the extreme parties, particularly the Islamic right, divisions in Turkish politics remain artificial. The spectrum ranges from fundamentalist Islam to nationalists of both left and right. In between these are two centre-right parties, two social democrat parties, and a radical Kurdish group, the People's Labour party (HEP).

The recent proliferation – there are now 10 parties with representation in parliament – is not so much a measure of Turkish pluralism, as the result of Mr Demirel's decision to lift the ban on parties outlawed by the generals in 1980.

On the right, it is often hard to distinguish between the DYP and Anap, currently the main opposition party. The former is the inheritor of the Justice party, banned after the 1980 coup. The Justice party, without being able to say so too explicitly, was the natural successor to the right-wing populists of the Democrat party of Adnan Menderes, the Turkish prime minister executed in 1961.

Mrs Tansu Çiller has made no secret of her leadership ambitions ...

... but Husamettin Cindoruk would be a more popular choice

Anap is more closely identified with the urban middle class. It attracts the business vote of Istanbul, while the DYP has been strong in the smaller towns of Anatolia and the Aegean.

Both parties are broadly committed to the market-based economic policies pursued by Mr Ozal from the early 1980s, although the DYP has shown more instinct for Keynesian style interventionism than Anap. As long as the right-wing parties control a future government, Turkey will continue to pursue a pro-western foreign policy.

The right-wing vote in Turkey has traditionally accounted for about 60 per cent of the electorate, and many analysts believe there will be an overwhelming logic for the parties to bury their differences.

But for all the similarities, a DYP-Anap coalition will not be easy to forge in the wake of recent corruption allegations. For the first time since the military coup, two former Anap ministers were put on trial earlier this year, charged with irregularities on government procurement contracts. Anap's response has been to mount a vitriolic campaign of slander against state minister Cavit Caglar.

In a recent poll, Mr Caglar emerged as the least popular of the main Turkish politicians. He remains a close confidant of Mr Demirel, and Anap's campaign has clearly hurt Mr Demirel's public standing.

On the left, the picture is equally unresolved. Mr Erdal Inonu's SHP has of late looked distinctly uncomfortable, as the junior coalition partners of the DYP, on sensitive issues like policy towards the Kurdish minority, on the new education bill which reflects the growing influence of the Islamic lobby in the ministry, and on the recent ban on private radios – an issue on which the coalition has lost considerable public sympathy.

Also on the left, the Republican People's party (CHP) has emerged as the main beneficiary of the lifting of the ban on political parties, although predictions that large numbers of SHP deputies would defect to the CHP proved exaggerated.

The CHP currently has 21 seats, compared with 54 for the SHP. The main loser has been Mr Bulent Ecevit, the former prime minister, whose Democratic Socialists (DSP) has now been reduced to just three seats.

Where the DSP has fallen down, the Moslem-based Welfare party (RP) has made ground. The party, which has 40 seats, stands on an anti-western Islamic platform, and has done well in recent by-elections among the disaffected populations of the poorer urban constituencies, particularly in Istanbul.

The one unknown in all this is what role Kurdish politics is to play in Turkey. The constitution currently bans politicians from appealing to explicitly ethnic sentiment. But if the various Kurdish political groups are able to forge a common stance in the wake of the rebel ceasefire, there could soon be a new force to contend with, creating quite new fissures in Turkish politics.

The end of an era

President Turgut Ozal, who was the dominant figure in Turkish politics for the last ten years, died on April 17. **Edward Mortimer** *assesses his achievements and legacy*

NO TURKISH leader since the founder of the republic, Mustafa Kemal Atatürk, has presided over such profound changes in his country as Turgut Ozal, who was prime minister from 1983 to 1989, and president from then until his death three weeks ago. And none, at least since Adnan Menderes (prime minister throughout the 1950s), has set his personal stamp so firmly on the country's politics.

Ozal chose to be buried close to Menderes's grave in Istanbul, which suggests he may have thought of him as a precursor. Both moved Turkish politics in a democratic direction after a period of authoritarian rule, while relaxing the state's grip on the economy and presiding over a period of rapidly growing prosperity. Both were firmly pro-western in their foreign policy: while Menderes sent troops to Korea and took Turkey into Nato, Ozal applied for EC membership and let Turkish bases be used for operations against Iraq during and after the Gulf war.

Both found ways of exploiting the Turkish people's profound attachment to Islam without directly challenging Atatürk's legacy of secularism. Similarly, both contrived to be seen as more sympathetic, or at any rate less oppressive, than their predecessors by the Kurdish population of south-eastern Turkey, though both remained firmly committed to the unity of the country even if it had to be maintained by force.

Both, moreover, were highly controversial figures, seen by many as gathering too much power in their own hands and using it to enrich themselves and their families. Both suffered political defeat at the end of their lives. But, while Menderes was overthrown by a military coup and subsequently hanged, Ozal first lost control of his own party and then saw it defeated at the polls, being thus obliged for the last year and a half of his presidency to cohabit with a government formed by his opponents.

He remained in office, but out of power – a situation he exploited to regain popularity by making public gestures or statements going beyond government policy on various issues, in a direction favoured by public sentiment. His sudden death provoked an outpouring of genuine grief which, while not quite unanimous, went much wider than his popularity had done while he was in power. Many Turks realised only then how much he had done to change their lives, mostly for the better.

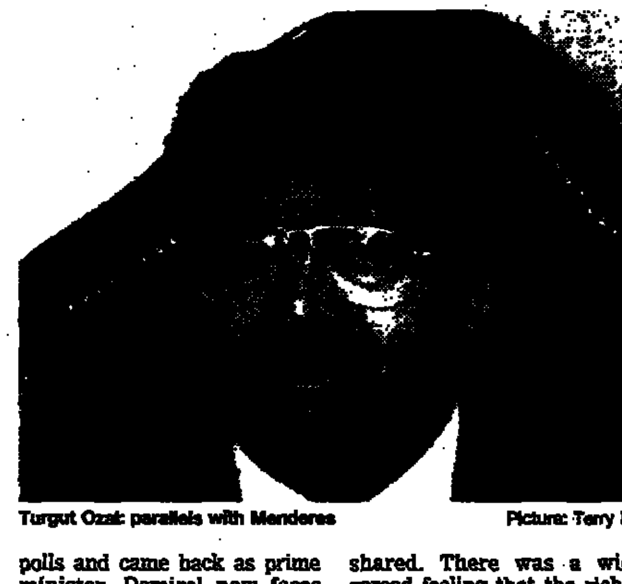
That Ozal's career ended so much more happily and peacefully than that of Menderes reflects the fact that in fostering democracy, as in most other respects, he had been able to take things further than Menderes did. It would be hard to say how far that was due to his personal qualities, and how far to the simple fact that, in spite of setbacks, the process of change had continued during the intervening generation. No doubt whoever ruled Turkey during the 1980s would have been obliged to open up the economy to the outside world, and whoever was elected to power after the military regime of 1980-3 would have gradually relaxed political constraints and allowed greater freedom.

In the latter respect, Ozal in fact moved fairly gingerly. Although his coming to power in 1983 was undoubtedly a slap in the face for the generals, who had intended the election to be won by one of their own number, it is also true that it could not have happened but for the ban on the entire pre-1980 political leadership which the generals had imposed.

As prime minister with President Kenan Evren, the author of the 1980 coup looking over his shoulder, Ozal took only slow and cautious steps to dismantle censorship and other restrictions or to curb human rights violations. In the referendum on restoring political rights to the banned leaders, by then his rivals, he took a formally neutral position.

The truth is that nearly all Turks are better off now than they were when Ozal came to power

Süleyman Demirel, the pre-coup prime minister who had brought Ozal into government as an economic technician, always regarded his subsequent emergence in a political role as tainted with illegitimacy. Demirel also contested the legitimacy of Ozal's election as president in 1989 by a parliamentary majority which, at that point, was far from reflecting a majority in the country. Having had his revenge in 1991, when he trounced Ozal's party at the polls and came back as prime minister, Demirel now faces the bitter-sweet prospect of succeeding Ozal as president in rather similar circumstances.



Turgut Ozal: parallels with Menderes

Picture: Terry Kirk

An economist by training, Ozal was bolder in economic than in political reforms. Between 1980 and 1982, as deputy prime minister in charge of economic policy, he brought down inflation from 107 to 25 per cent by withholding state support from industrialist and consumer alike, allowing the exchange rate to fall and domestic interest rates to shoot up while wages lagged behind and uncompetitive firms, including some of the banks, went bankrupt. At this point he resigned and started quietly building his own political party, which the generals made the mistake of not taking seriously until too late: they probably thought he had made himself too unpopular to matter.

Once in power in his own right, he continued with free-market reforms – deregulation, lowering of import barriers, abolition of exchange controls, full convertibility of the lira, and a start on privatisation – but was much less rigorous about the money supply. By 1991 inflation was back up at 70 per cent, and though the Turkey enjoyed record growth rates through the 1980s the benefits were far from equally shared. There was a widespread feeling that the rich in general, and the Ozal family in particular, were getting much more than their due.

Yet the truth is that nearly all Turks are materially better off now than they were when Ozal came to power. And he brought the country some less tangible benefits, too. Having outwitted the military and come to power with their reluctant blessing, he was less overawed by them than earlier civilian leaders had been. For the first time in the republic's history, he proved – by imposing his own choice as head of the armed forces in 1987, and by ignoring their views during the Gulf crisis in 1990 – that the civil power can control the military rather than the other way round.

He was not overawed, either, by the towering figure of Atatürk, whose picture adorns every public building in Turkey. In his last years, especially, he was quite uninhibited about his public behaviour, whether observing Islamic rites, indulging his appetite for the good things of life (including some from which a stricter Moslem would abstain), or simply saying what he thought. He was a figure with whom ordinary Turkish citizens could identify, including many of those who were proud to be Kurds, or pious Moslems, or indeed both. He leaves Turkey not only a richer country, but one better equipped than it was for living at peace with itself.

'I've been careful to control my attitude'

Four times prime minister, twice deposed by a military coup, and now almost certain to be elected president, Süleyman Demirel is the arch-survivor of Turkish politics. Two days after the death of President Turgut Ozal last month, Mr Demirel talked to **Edward Mortimer** and **John Murray Brown**

Some Turks are saying President's Ozal's death marks the end of an era in Turkish politics. How do you evaluate his contribution?

■ Let me say this. I knew him for almost 43 years. Between 1965 and 1971 he was my adviser, then he was under-secretary of the planning division: I put him there.

In 1979, I brought him into the administration again. Later we had some problems, because between 1980 and 1987 I was not free.

In 1991 we campaigned to remove him from Cankaya [*the presidential palace*]. We were not able to get enough votes, and since then I've been very careful to control my attitude, so as to protect the country from any harm. And now this happened, I am awfully sorry. Because once you have so many years as friends, it doesn't matter what happens in the last five or 10.

Do you think those who are pressing you to accept the presidency really want you to step down from power?

■ [*laughing*] That's possible! But the president is very important. He can prevent both government and parliament from functioning. The president should have some understanding, and be helpful to the government.

Even if it is composed of parties difference from his own?

■ When you become president, you should forget the parties.

Mr Ozal is credited with opening the way to a solution of the Kurdish problem. What is your attitude?

■ One can argue about that. The problems are still there. None of them have been solved.

Abdullah Ocalan [*head of the rebel Kurdistan Workers' Party*] has agreed to extend his ceasefire. Are you closer to a solution?

■ We never hear him, whatever he says. If you start hearing him, then he becomes a party to the problem. If we make him a party to the problem, then we should be dealing with him. We should never deal with him. I don't think we should deal with the man attacking us.

We won't tell him "don't stop", but nor will we tell him "we are very happy that you've stopped", and then negotiate.

How helpful a role has been played by Mr Jalal Talabani and the Iraqi Kurds?

■ I saw Talabani five or six days ago, and told him: "You shouldn't be a mediator between the Turkish state and those terrorists, but if you think they are Kurds killing Kurds, brothers killing brothers, then if you as a Kurd yourself say it should be stopped, it is up to you".

I am not telling him "don't do anything", but "don't be a mediator, don't get any instructions from us". I am not closing the door. We don't want bloodshed. We are trying to have a soft approach to the problem. We offer them justice and the rule of law.

Justice or even a degree of clemency?

■ Actually there are laws. They can benefit from the "repentance" law, and parliament may even enlarge it.

Would part of this soft approach be to allow Kurdish schools, or introduce the Kurdish language into schools?

■ No, that is something else. We won't do anything which would be understood as a gain for terrorism. Then we wouldn't be able to run this country.

But leaving terrorism aside, might there not be a strong case for doing it in its own right?

■ If there is a strong case for anything else to be done, we will do it, but not now, because then it would be seen as a concession, which would fuel terrorism in the coming years.

What does Kemalism mean in the 1990s?

■ Kemalism, as we understand it, is not a regime. It's a target. Atatürk said the supreme willpower of the nation should govern the country. He said the people of Turkey should reach contemporary civilisation. If that's Kemalism, I'm a Kemalist.

What about his principles of "etatism" and secularism?

■ In 1923 the Turkish state had about 10m people and its cities were devastated by war. There weren't enough private entrepreneurs, and they didn't have enough capital or know-how, so the state had to step in.

When you come to 1980, the whole thing changes: having the state in the economy does not pay now. But secularism is very important. It's actually a protection of the right of religion: you can believe as you want.

What is your reaction to recent gains by the [*Islamic*] Welfare Party?

■ It's very local. They can get up to 15 per cent, not more than that.

Is Turkey still on schedule for customs union with the EC in 1995? Will you scrap the mass housing fund by then?

■ It has to be negotiated. You know, Turkey is the only country that is going to be in a customs union without being a member of the EC. Definitely Turkey should negotiate that.

When do you expect to start these negotiations?

■ Very soon, whenever the EC is ready.

Is full membership still a realistic objective?

■ In 10 years, maybe. Turkey may be a full member with some exceptional conditions. It depends on the Community, but I think within the next 10 years Turkey should be a full member.

You know, membership for Turkey means catching up with Europe. If we feel we can catch that level, for us I think the target is reached.

How dangerous for Turkey is the situation in the Caucasus?

■ We are being pushed, and we are under pressure from pro-Azerbaijani public opinion. People say we should intervene. Actually we can intervene, but that won't be the end of the problem. Maybe the problem will start when you intervene.

We intervened in Cyprus, but we still have the problem there. Bosnia is a different thing. In Bosnia you have the international community, but in the Caucasus only Turkey is under pressure. If the international community wants to intervene to settle the problem, then Turkey will a partner.

As in Bosnia, if the international community decides to intervene, we will supply forces, but we cannot intervene by ourselves. Whatever we do, we should do it with the world.

That means the Russians have a veto?

■ Yes. We should do it with the world including the Russians, as in the case of Kuwait. Russia should be convinced what needs to be done. In the case of the Caucasus, too, Russia shouldn't be left out. On Bosnia there are some efforts. Let us hope they will have some results. Pressure will be put on the Serbs.

Up to now there was no deterrent factor. Now Nato is going to control the no-fly zone. Our planes left for Italy today.

Is a deterrent needed on the ground as well?

■ It's up to the soldiers to evaluate that. But now Nato has been put into force, let us see how things will develop.

And what is your policy towards Central Asia? Is it going to lead to a revival of Pan-Turkism?

■ People in Central Asia and in Anatolia speak the same language. They share the same history, the same traditions . . . They are our cousins, but we have never lived in the same state. Therefore Pan-Turkism is just a Utopia. All we want is that they stay as independent states. They should be running themselves: we do not have any desire to run those countries.

What about a Turkic commonwealth, an economic commonwealth?

■ Not for the time being. Actually we have an agreement between Iran, Turkey, Pakistan and the Central Asian states, called ECO. If we can develop some regional economic relations, why not? All we want is these countries to open up to the world. They used to know the world as only Moscow. Now they have seen that there is a world beyond Moscow.

We have given them a lot of help: we have 10,000 students in Turkish schools; we have provided TV and telephones; we have 42 agreements signed. More than 500 Turkish companies are working in those countries. Relations will be bilateral, based on economic interest.

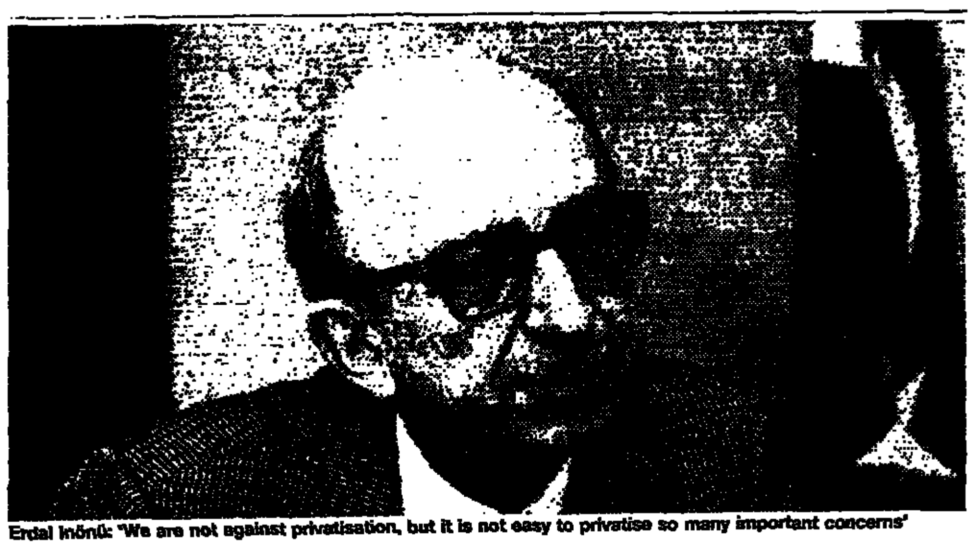
Süleyman Demirel: 'The problems are still there' Picture: Trevor Humphries

Is this pulling Turkey in another direction, away from the EC?

■ Our desire to be a member of the EC is not for economic factors only. We are Europeans. We would like to stay as Europeans. We would like to live with Europe. We would like to act with Europe. We share the values of European civilisation in addition to our own values. As a member of Nato, we have defended those values. Europe is not a geography: Europe is a set of values. If Europe says, "we don't want you to defend our values", that is something else. But if I were Europe I should say, "Let us have more people defending our values". We can take those values to Central Asia. That is the extension of Europe, not as geography but as culture, as civilisation. In Bishkek [*capital of Kyrgyzstan*], for instance, 75 per cent of the population are Russians and Germans. They are Europeans. It's a beautiful city; it's not an Asian city, its a European city. They're all intermingled.

Are you implying that those countries, too, might be members of the EC?

■ Not for the time being. But as Turks, we can take European values to those countries.



Erdal Inönü: 'We are not against privatisation, but it is not easy to privatise so many important concerns'

The views of the deputy

Support for coalition

ERDAL Inönü, a distinguished physicist and son of Turkey's second president, is deputy prime minister and leader of the Social Democratic People's Party (SHP). He gave these views to the FT:

■ **On the government:** For us it is important that the coalition continues, independently of the role of the president. It has a good majority behind it in parliament. If the prime minister becomes president it will be a big change, but the parties have a sound basis in the country and do not depend on personalities.

■ **On the economy and privatisation:** "Etatism" is now understood by our party as defining the social character of the state, not in the sense of the 1930s when the state was the primary means of industrialisation and accumulation of capital. We are not against privatisation, but it is not easy to privatise so many important concerns. What is important is not the ownership but the efficient use of the means of production, and a good distribution.

■ **On the Kurds:** We are encouraged by the fact that the terrorist groups say they will not engage in terrorism any more. We are not afraid of a separatist Kurdish party, because we believe it would not gain sufficient votes to achieve its ends. But it does require a change in the constitution, and the present government has not yet said it will support such a change. Turkish is the official language, and must be used by the organs of the state. But we have signed the Paris Charter, and are fully committed to giving cultural rights to all citizens. Parliament is in the process of legalising private radio and television stations. Once that is done, we can't stop them using Kurdish.

■ **On human rights:** Terrorist activity accelerated for a while after we came to power. The security forces also increased their activity, making it look as if there were more violations of human rights. But the law on judicial practices has brought American standards to bear on our criminal procedures, and is now used in a great part of the country, except for terrorist cases. With the disappearance of terrorism we won't have any more complaints from Amnesty International.

John Murray Brown examines the economy

OECD report is gloomy

It is hard to argue the case for fiscal and monetary discipline *when the economy* is growing at close to 6 per cent, and foreign exchange reserves are at the highest levels ever recorded during the republic's 70-year history.

No one is predicting a crisis just yet. But the Paris-based Organisation of Economic Co-operation and Development (OECD), in an unusually gloomy report on Turkey's economy, warns that "no slippage should be tolerated" in restoring control over public finances.

The external side looks robust, at least for the moment. But, as ever, the resilience of the Turkish private sector is undermined by the miserable state of public finances.

Turkey has little problem servicing its $54.7bn foreign debt. Exports continue to grow, having reached $14.7bn in 1992, while foreign reserves at close to $17bn in April will cover eight months of imports. What with tourism revenues, set to reach $4bn, and continuing remittances from its overseas workers, Turkey should have little trouble financing its balance of payments.

However, the OECD says the picture is not "as benign as it appears". Turkey's economy, in recession in 1991, rebounded in 1992. But given such a strong recovery, the government made only limited progress in reducing the public sector borrowing requirement. The PSBR was cut from 14.4 per cent, to around 13 per cent of GNP, in 1992. This is using a figure for the cash deficit on the budget of TL56,000bn, not the TL43,000bn as claimed by the government – the amount appropriated by parliament rather than that actually spent during the year. Again, in the words of the OECD, "it is difficult to call this an achievement".

More worrying is that some of the key external indicators are showing signs of weathering. The debt service ratio – which measures interest and principal repayments as a proportion of Turkey's exports of goods and services – is close to 30 per cent.

Turkey's debt stock increased by an estimated $4bn in 1992. Much of the increase was from the bond markets. In the wake of receiving a BBB rating from the Standard & Poor's credit agency, Turkey has gone to Japanese and US bond markets for the first time. However, even here there are questions whether this is the best way to fund development.

With an increasing volume of Turkey's debt carrying variable interest rates, the treasury is looking for ways to protect itself against adverse currency movements. It is estimated that cross rates added close to $2bn to Turkey's debt in 1992.

The rate of growth of domestic debt is even more pronounced. According to economists, domestic debt stock has increased at an annual average rate of 17.8 per cent over the period 1987-92. Over the same period, Turkey's gross national product has improved by only 4 per cent a year.

As ever, it is not the absolute size of the public deficit which is at stake. In many respects, Turkey needs to spend more on health and education, to bring it in line with its European competitors. There is still no social safety net, which will be needed if the government is ever to address the need to close some of the 235 state enterprises which continue to be a burden on the public purse.

While the treasury remains wary of resorting to increased foreign borrowing, it has come to depend increasingly on the domestic capital markets to finance its deficit, crowding out the private sector's need for investment funds and driving up interest rates. What the treasury cannot finance through the capital markets is made up by short-term advances from the central bank, in effect printing money and fuelling inflation.

The result is a vicious circle. Inflation fuels higher public-sector wage settlements, increases the government's debt servicing, and undermines the efforts at tax consolidation.

The impact on the private sector is equally dramatic. Inflation chokes off private investment, pushes up wage costs and acts as a drag on the equity markets, where new issues have all but dried up. The government's appetite for funds has deprived the Istanbul stock exchange of badly needed liquidity, which analysts believe is one of the major constraints on the market's growth.

Clearly, new investment is vital if Turkey is to be able to upgrade its industrial base and retain domestic market share against the competition from imports. The issue will become all the more acute as Turkey lowers its tariffs further in the countdown to customs union with the European Community in 1995.

Inflation fuels higher public-sector wage settlements, *increases the government's debt servicing, and undermines the efforts at tax consolidation*

The issue is equally pressing on the export side, where Turkey is over-dependent on a textile industry which is badly in need of some retooling. According to EC officials in Ankara, Turkey relies on the EC for 75 per cent of its textile exports. Textiles remain Turkey's single largest export item, making up 54 per cent of total export receipts.

Inflation fuels wage demands, too. Wages are now the largest cost to Turkish industry. Unionised labour has restored the ground lost during the mid-1980s, when a coincidence of low wages and a depreciating currency helped to launch Turkey's export drive. The share of wages and salaries in GNP grew from 7.5 per cent in 1987 to 13 per cent last year, according to economist Ali Tigrel, of Marmara bank. As a result, many businesses are now relying on contract labour.

Despite some improvement in 1992, the OECD says underlying inflation is still on the rise. The problem is compounded by policy drift and a serious breakdown in co-ordination between the economic ministries and the central bank and key arms of the bureaucracy.

Relations between Mrs Tansu Çiller, the chief economics minister, and central bank governor Rüşdü Saracoğlu have reached a new low. At one point Mr Saracoğlu seemed close to resigning, when he hurriedly returned from a skiing holiday in France to stop Mrs Çiller from introducing changes in bank reserve requirements, the amount of a bank's deposits which must be lodged with the central bank.

To the outsider, the issue may seem a little abstruse. But given the lack of other monetary instruments, control over bank credit is about the only tool left for the governor.

After missing the targets by such a wide margin last year, *the central bank* decided against issuing monetary projections for 1993. Instead, the Bank is concentrating its efforts on interest rates to dampen exchange rate volatility, the final defence against rampant domestic inflation. To do this, the Bank has had to resort to increased interventions to uphold the lira's value in the market, one reason for the high official reserve policy.

Mrs Çiller still believes the lira is too high. "We are not going to make any huge devaluation, no one should expect that. But we need to keep up with inflation... If you try to withdraw money from the market because you feel there's a pressure on foreign exchange, that puts an artificial pressure on interests rates," she says, in an oblique criticism of the governor's exchange-rate policy.

In the long run, without some form of external anchor, it is difficult to see how the government can hope to curb inflation, now running at around 60 per cent. The short-term answer has been to resort to measures like the tax amnesty and the consolidation of the debts of the public-sector enterprises. Some progress has also been made with privatisation, with asset sales realising some $570m in 1992, compared with $1.3bn in the period 1986-1991, under the old Motherland party government. Mrs Çiller talks about selling off the PTT, the state telephone monopoly. Closing down loss-making concerns would have an immediate impact. But as prime minister Süleyman Demirel concedes, "our public is not ready for that yet".

KEY FACTS

Area	779,452 sq km
Population	57.7m
Head of State	To be chosen
Currency	Turkish lira (TL)
Average Exchange Rate	1991 $1=TL4,172
	1992 $1=TL6,900

THE ECONOMY	1991	1992
Total GNP ($bn)	113.5	120.6
Real GNP growth (%) [1]	0.5	5.9
Components of GDP (%) [2]		
Private consumption	62.4	61.7
Total investment	22.5	22.6
Government consumption	13.9	15.9
Exports	24.0	26.0
Imports	-26.4	28.4
Inflation rate (%) [3]	66.0	70.1
IFC share price index (%) [4]	81.0	-53.5
At year end		
Reserves minus gold ($bn) [5]	4.9	6.1
Foreign currency deposit rate ($ %)	8.7	7.6
Treasury bill (1-year) rate (%) [6]	73.0	77.0
Trade [7]		
Current account balance ($bn)	0.27	-0.94
Exports ($bn)	13.60	14.70
Imports ($bn)	21.03	22.90
Trade Balance ($bn)	-7.43	-8.20
Main trading partners 1991 (%) [8]	Exports	Imports
US	6.7	10.6
Germany	25.1	15.3
Italy	7.1	8.7
France	5.1	5.8
UK	4.9	5.5
EC	51.8	43.0

(1) Real GNP growth.
(2) 1990 and 1991
(3) Inflation: 12-month average CPI
(4) Annual percentage increase in $ terms at year end.
(5) Reserves. Year end 1991, 1992.
(6) Interest rates. Year end 1991, 1992.
(7) Year end 1991,1992.
(8) Percentage share of trade in 1991.

Source: State Institute of Statistics, Monthly Indicators

Turkey has the engineers and the contracting companies. But does it have the funds?

Construction 'megaprojects' under way

Mr Süleyman Demirel, the prime minister, used to refer to the constraining effects of Turkey's infrastructure as "a giant in pygmy's clothing."

Now his rhetoric is of $135bn of "mega projects", which will change the country.

Promoted abroad and at home among finance sources and contractors, these include:

■ The Southeastern Anatolian Projects (GAP). Launched in the mid-1980s, this huge project is harnessing the Tigris and Euphrates to irrigate 1.7m hectares of land – half the size of Belgium – and build 18 hydro-electric stations.

The heart of the project is the $2.3bn Atatürk Dam which, when completed, will be the world's ninth largest dam.

Syria and Iraq object to Turkey's use of the rivers. Their objections means international funding has been held back. The project is due to be finished in 2005, at a total cost of $32bn.

■ Rail. A 430km $4bn high-speed train connection between Ankara and the Asian side of the Istanbul, with a $4bn rail tunnel under the Bosporus, connecting the European and Middle Eastern rail nets.

The government has said that agreement with contractors should be reached by October 27 this year. These are part of what Turkey calls a Peace Train from Paris to Jerusalem via Turkey.

Raising their sights higher, Turkey talks of a Silk Railway following the old Silk Route from London to China, passing through Turkey and the Turkic Republics.

■ Motorways. This year Turkey plans to bring into service a further 448km of motorway, extending the road grid to 1,250km and virtually completing the link from the trans-European motorway to Ankara.

It has an additional 347km under construction, and is planning a bridge by Gallipoli across the Dardanelles.

■ Electric Energy. Government plans allow for a 69 per cent increase in electricity capacity by the year 2000. This is to be achieved by completing 13 generating plants currently under construction and starting 14 others, including a 1,000MW nuclear plant. However, the World Bank is worried about the high debt of the Turkish Electricity Authority (TEK).

The Bank argues that Turkey runs more generating capacity than it needs.

■ Water and Sewerage. Projects worth $2.7bn in Istanbul alone, including the world's largest biological sewage treatment plant and the 150-mile diversion of a river. Also, a $3bn Aegean-Mediterranean coastal infrastructure programme.

Other projects on this "mega list" include work on nine airports; a $750m world trade centre for Istanbul; four ports, including a deep-water port at Yumurtalik near Adana, and a container port to serve Istanbul at Tekirdag, on the Marmara; underground and light rail systems in Istanbul, Ankara and Izmir; hydro-cracking units at the main refineries; and an Olympic stadium for Istanbul.

Turkey now has the engineers and contracting companies capable of handling many of these. But does it have the funds?

This year, the government will find and spend $12bn, according to Dr Ilhan Kesici, under-secretary of the State Planning Organisation. He argues that a combination of central government funding, foreign finance, and franchise-based schemes will see Turkey through. However, Turkey has been notoriously slow in completing negotiations on the Build Operate-Transfer schemes on which it is partly pinning its hopes.

The World Bank is among those who take a more cautious view, being prepared to support many of the projects but arguing for a slower phasing.

Indeed, as so often, the shortage of funds means that, for all its "mega" hopes, Turkey may have to live with some of its old clothing longer than it wants to.

David Tonge

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Foreign policy: the strategic surroundings have changed beyond recognition, says **Edward Mortimer**

At the centre of an unstable region

During the four decades of the cold war, Turkey experienced economic transformation and many internal upheavals, but its only serious foreign policy problems resulted from the conflict in Cyprus and its consequently very difficult relationship with Greece.

Otherwise it was a rock-solid Nato ally, maintaining cold but polite relations with its Soviet neighbour to the north and holding aloof from the quarrels of its Arab and Persian neighbours to the south and east.

Since 1990, however, Turkey's strategic surroundings have changed beyond recognition. The Cyprus issue, though still unresolved, has become the least of Turkey's immediate worries as the country finds itself, in the words of its foreign minister, Mr Hikmet Çetin, "at the centre of a region of instability and conflict". In three neighbouring areas – Iraq to the south-east, the Caucasus to the north-east, and the Balkans to the north-west – conflicts have erupted from which Turkey finds it impossible to stay aloof.

In the Gulf war of 1991 Turkey was an essential western ally. Without Turkish help, sanctions against Iraq would have been meaningless and the bombing campaign more difficult. Then, in the immediate aftermath of the war, Turkey was at the centre of a major crisis as hundreds of thousands of Kurdish refugees poured across its border. It was from Turkish territory that western forces entered northern Iraq in April 1991, to set up the "safe haven" for the Kurds; and it is still from Turkish territory that that haven is protected by western air surveillance.

Thus western strategy for containing President Saddam Hussein's regime remains heavily dependent on Turkish co-operation, under an agreement which has to be renewed every six months. Less explicitly, the west also relies on Turkish help in containing Iran, a state whose revolutionary ideology and politico-military ambitions are viewed with deep suspicion, especially in Washington.

In both cases Turkey's ruling élite finds good self-interested reasons for co-operating with the west: it neither wants Turkey's secular democracy undermined by subversion from Islamic Iran, nor its problems in the impoverished and mainly Kurdish south-east exacerbated by a new Baathist onslaught on the Kurds across the border in Iraq. But the government has to be careful how it handles a Turkish public opinion which is strongly nationalistic, and dislikes seeing its country used as a springboard for western intimidation of neighbouring Moslem countries.

Meanwhile, the break-up of the Soviet Union has "liberated" eight new independent states along the Asiatic fringe of Russia, three of which are Turkey's immediate neighbours in the Caucasus, and five of which have national languages closely related to Turkish. Initially this was greeted with excitement, not to say euphoria, in Turkey, which saw itself cast as elder brother or guardian to this new "Turkic" universe.

Turkish public opinion is strongly on the side of the Azeris, seeing them as fellow-Turks and victims of aggression. There has even been loose talk of military intervention against Armenia

That has now largely given way to a more sober appraisal, which stresses the responsibilities and pitfalls of guardianship as much as its joys and rewards. In the Caucasus especially, Turkish policy-makers fear being dragged into the bitter war over Nagorno-Karabakh, the mainly Armenian-populated enclave which has declared its independence from Azerbaijan, and has been fighting with some success to secure a land corridor linking it to Armenia proper.

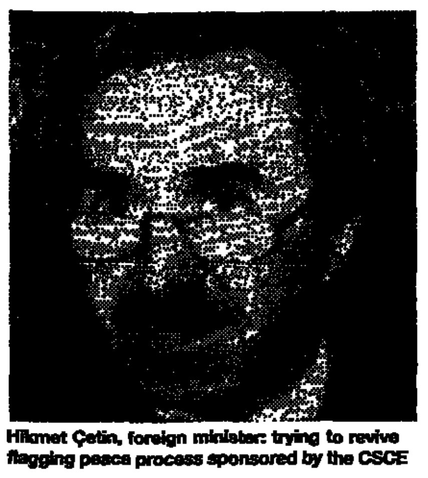
Turkish public opinion is strongly on the side of the Azeris, seeing them as fellow-Turks and victims of aggression. There has even been loose talk of military intervention against Armenia, whose denials of direct involvement in the conflict do not convince anyone in Turkey.

But the government is acutely aware of the damage such a course would inflict on Turkey's image in the west, especially in the US and France where strong Armenian lobbies have kept alive the memory of the massacres of Armenians under the Ottoman empire, which they describe as genocide.

It also fears a clash with Russia in what has traditionally been a Russian sphere of influence.

So Turkey has done its best to maintain an even-handed approach, and to overcome the Armenians' traditional Turcophobia. Early this year it even supplied Armenia with up to 100,000 tons of wheat, from stocks earmarked for domestic consumption, as an advance on wheat promised by the EC which was late arriving; and Mr Çetin has been working with his Russian counterpart, Mr Andrei Kozyrev, to revive the flagging peace process sponsored by the Conference on Security and Cooperation in Europe (CSCE).

The Armenian victory at Kelbajar in early April, widening the corridor to between 30 and 40km, put this Turkish



Hikmet Çetin, foreign minister: trying to revive flagging peace process sponsored by the CSCE

policy under acute strain. Turkey responded by halting relief to Armenia. But the presidents of both Armenia and Azerbaijan, meeting for the first time at the funeral of President Turgut Ozal in Ankara on April 21, agreed to establish a direct bilateral dialogue, with a "hot line" between their capitals.

The Turks also used the occasion to give the Armenian leader a firm warning. "We made it very clear to him," says Ozdem Sanberk, the top civil servant in the Turkish foreign ministry, "that he should explain to his people that these so-called victories are not good for the future.

Armenia is an enclave among Moslem countries and must live in peace with them. It should not rely only on support from lobbies in California... We can live without Armenia. They can live without Turkey, but in trouble."

Unlike Armenia and northern Iraq, Bosnia is not Turkey's immediate neighbour, and the war there does not affect Turkey's national security so directly. But in emotional terms it is easily the most sensitive of the three surrounding crises. As Mr Çetin says, "Turkey is a Balkan country".

All of the Balkans were Ottoman territory until the 19th century – Bosnia and Hercegovina being lost finally in 1908. Turks have feelings of both kinship and responsibility for the Moslems left behind there, kept alive partly (but by no means solely) by the descendants of those who left and settled in Turkey: some 4m "Boşniaks" are today Turkish citizens.

These feelings have been fanned by Moslem religious leaders, and reached a peak in January this year when the bombing of Iraq was contrasted with western passivity towards the Serbs, with many bitter accusations of "double standards". This makes the secular and pro-western Turkish government very nervous, and it has done its best to pre-empt Islamic exploitation of the issue both at home and abroad.

Turkey itself raised the issue at the Organisation of the Islamic Conference, with Mr Çetin talking wildly at one point of oil embargoes against the west.

Turkey has also repeatedly offered to join in any UN or Nato-organised military intervention. As in other countries, however, the army is understood to be distinctly unenthusiastic about deploying troops on the ground, and unilateral intervention has been firmly ruled out.

As long ago as August 8 last year, Turkey proposed an "action plan" aimed at "convincing the aggressor that the world means business". It included the following elements:

- Establishment and enforcement of a no-fly zone;
- Limited military intervention in the form of selective strikes, with Serb heavy weapons as the main targets; and
- Lifting the embargo on arms supplies to the Bosnian government.

Mr Çetin notes sadly that the international community has now come round to at least part of this plan. But, he says, "we fear it is too little, too late". He worries that, "if the Serbs succeed, they will be encouraged to do the same in Kosovo", where 90 per cent of the population are ethnic Albanians – also mainly Moslem. His officials fear that, if that happens, the fighting will inevitably spill over into Macedonia and perhaps involve neighbouring countries, bringing it ever nearer to Turkey's borders.

Differences over the Balkans have become a new source of friction between Turkey and Greece, which last month refused to let Turkish F-16s pass through its air space on their way to help enforce the Bosnian no-fly zone. And Greek hostility continues to complicate Turkey's relations with both the US, where the Greek lobby keeps a lid on military aid to Turkey, and the EC, where Greece vetoes not only Turkey's eventual membership but also more immediate financial aid.

Yet in spite of repeated rebuffs, Turkish ministers and officials remain convinced of the country's European destiny. They are busily preparing for the customs union with the EC (due at the end of 1995), and have eagerly taken up associate membership of the Western European Union, now officially enshrined as Europe's "defence component". So far from being distracted by their new regional role, they believe that it increases their value as an ally and partner, and that west Europeans will come round at last to the view that, without Turkey, Europe is incomplete.

John Murray Brown examines Turkey's role within Central Asia

Euphoria has evaporated

A year ago, such a trip would have generated considerable public interest. But when the late President Turgut Ozal set off on a gruelling five-country tour of Central Asia last month, it merited scarcely a comment in the local Turkish press.

Turks, like many outside the country, are starting to make a more sober assessment of the opportunities offered in the newly created Turkic-speaking states of former Soviet Central Asia.

Much of the euphoria has evaporated. At first, Ankara took it as welcome vindication that the leaders of Central Asia seemed to aspire to follow their own moves to open up to the west, a process started when Mustafa Kemal Ataturk founded the country on the ruins of the Ottoman Empire in the 1920s.

However, as one academic, familiar with the region, put it: "They said much the same thing to Brezhnev and Stalin."

Turkey's strategic role as a moderate secular counterweight to Iranian fundamentalism has probably been overplayed. What has also been overblown is Turkey's capacity to play a role as the catalyst for economic development in the region, given budget problems at home.

Turkey shares common cultural, linguistic and religious ties

"Turkey is not pretending to be a regional power. All we want is to help them make a soft landing in coming into the new world," says Mr Ozdem Sanberk, under secretary at the Tukish foreign ministry.

Turkey shares common cultural, linguistic and religious ties. But the physical limits to co-operation are immense. Turkey has no common border with any of the five Central Asian states, Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan. Even with the Caucasian state of Azerbaijan, Turkey is cut off by Christian Armenia.

The Turks have made much of the pipeline accord to take Azerbaijan's crude to the Mediterranean. But this project, like all similar proposals to provide a route to take the region's vast natural resources to western markets, depends on the co-operation of Iran – and if not Iran, then the Armenians, with whom Turkey has an equally troubled relationship.

No one is denying that Turkey will have a role to play. Turkish banks are setting up operations in the region. Ziraat, the state-owned farm credit bank, has established joint ventures in Uzbekistan, Kazakhstan and most recently in Turkmenistan.

"The general strategy is to be the first western bank. The market is not large enough for two international banks," says Can Oner, the director in charge of Central Asian operations.

Significantly, it is the state sector banks which have led the way. Private banks remain more wary. "Ziraat is the first in. It may make sense. If you are a local bank you perceive the risks differently. However, look what is happening in Russia, surely a better prospect. As far as I know only two foreign banks have progressed past the stage of having a representative office," says a London-based trade finance specialist.

Bankers admit it is still almost impossible to quantify the risk in those areas.

Nonetheless Turkey has already much of the legal infrastructure, such as investment protection agreements and accords on the prevention of double taxation. Since the area opened up, Turkey has signed more than 100 bilateral accords with these countries.

Latest trade figures suggest, at least as far as cash transactions are concerned, the opening up of Central Asia has had little impact on Turkey's balance of payments. For the 11 months to November 1992, Turkey's total exports to the former republics of the Soviet Union came to \$1063m, little more than the \$986m achieved in the same period in 1991. Moreover Russia accounted for \$909m. Import statistics reveal a similar picture.

Trade volume – imports and exports – with the Turkic states was less than \$300m. While the figures probably do not include barter items, they nonetheless emphasise that Turkish trade ties with the region remain very modest.

Some multinationals are looking at links with Turkish groups

But some multinationals are looking at links with Turkish groups, to gain an early foothold in these markets. Jacobs Suchard, the Swiss confectionery group owned by Philip Morris, has acquired a 50 per cent share in Turkey's largest edible-oil company. The strategy is to use this Turkish operation to market the whole range of Jacobs Suchard products in Turkey and the Central Asian states. Merloni, the Italian white goods concern, best known for its Ariston brand, has acquired a stake in Turkey's Vestel electronics group, again in a bid to provide a platform for sales to the Caucasus and beyond.

In areas like telecommunications, Netaş, Northern Telecom of Canada's Turkish subsidiary, is blazing a trail. With the help of a government project to supply digital switches for public exchanges to all five Central Asian republics, Tur-

Continued on next page

Heinz Kramer discusses the country's relations with the European Community

A fresh start to an uncertain end

RELATIONS between Turkey and the European Community seem to be back to normal after more than a decade of tensions and frustrations.

On November 9 last year, the Association Council was able to agree on a variety of measures which are intended to bring new life to the dormant EC-Turkey association agreement.

After more than a decade of inaction, it was decided to resume work on the completion of the customs union which, according to the agreement, should be established by the end of 1995. Added to this was the creation of a political dialogue between the EC and Turkey on the highest level – i.e., including head of states and governments. First meetings of newly established or revived groups of experts, among which the Customs Co-operation Committee ranks most prominently, and the visit of Turkey's deputy prime minister, Erdal Inönü, to Brussels and other EC capitals in early 1993 underline the seriousness of the new approach.

Turkey is at least showing goodwill in its efforts to normalise relations with the Community

Turkey, in compliance with its contractual obligations, put into effect, as of January 1, 1993, further reductions of its customs tariffs for imports from the Community at a magnitude of 10 to 20 per cent; and it abolished various special funds for which, in past years, extra levies on imports had been charged. Such levies contravene the stipulations of the association agreement.

The continuing economic problems posed to the Turkish economy by the creation of the customs union are, however, revealed by the exemption from the tariff reductions of certain sectors of business like automobiles, pharmaceuticals and chemicals, after heavy pressure put on the government by representatives of these sectors which fear for their international competitiveness.

The extra levies, too, have not really been abolished together with the funds, but instead have been transferred to the still existing mass-housing fund, the rates of which have been slightly raised. Hence, the most recent Turkish measures can be regarded as another step in the right direction, but still leave much to do if the deadline is to be met.

Turkey is at least showing goodwill in its efforts to normalise relations with the EC. The Community, on its side, still has difficulties in reciprocating. Greece, because of its perennial bilateral conflicts with Turkey over Cyprus and the situation in the Aegean Sea, continues to block any substantial moves of the Twelve towards an improvement. For this reason, there is no prospect of releasing Community aid to Turkey of a magnitude of 600m Ecu pledged under the fourth financial protocol initialled in 1981, nor is there any hope of fully implementing a comprehensive package of technical and economic co-operation measures presented to the Council of Ministers by the Commission in July 1990, the so-called Matutes package.

The Twelve are also very reluctant to phase out the non-tariff trade barriers which, in clear violation of the association agreement, impede the free import of Turkish textiles and clothing into EC markets, and which have to be abolished if the customs union is to be a reality. Other measures foreseen in the association agreement, such as free movement of workers, not to speak of Turkish accession to the EC (for which Turkey applied in April 1987), are much further away from being seriously considered.

By concentrating on the details of the association agreement, one could get the impression that economic issues are at the heart of EC-Turkey relations. Nothing could be more misleading. The association, from its very beginning in the early 1960s, was mainly intended to serve political ends. EC members wanted to bind closer to the west a country deemed to be an indispensable ally in countering the strategic threat from the east.

The Twelve are reluctant to phase out non-tariff trade barriers to the free import of textiles and clothing

The Turkish political and economic elite, on their side, saw EC membership as the final objective which would make irreversible Turkey's "westernisation", begun by the founder of the republic, Mustafa Kemal Atatürk. Hence, Turkey's relations with the EC in the framework of the association agreement have always been influenced more by political factors than by economic developments.

This also applies to the new momentum created by the meeting of the Association Council of last November. Although the former political basis of the relationship has been eroded by the collapse of the Soviet empire, "the Turkish role in the present European situation is of the greatest importance", in the words approved by the European Council at last June's Lisbon summit. EC members view Turkey as an important stabilising factor, not only in the Middle East but also in the crisis-ridden process of restructuring the Soviet heritage in Central Asia and the Caucasus, as well as in relation to the re-opened European powderkeg in the Balkans. Hence the great interest in high level political dialogue with Ankara.

In Turkey, the international attention attracted by the country's new strategic role has created a climate of growing self-assertiveness, best represented by the remark of late president Turgut Ozal on the occasion of the summit of Turkic republics last October, that the 21st century will be the "Turkish century". But the Ankara government also realises that, in order to meet European expectations and its own aspirations, Turkey needs the support of strong partners. Ankara, therefore, is able and ready to downgrade its sensitivity concerning political differences with the Community, and to do its share in the efforts for a revitalisation of relations, which seems to be in the interest of both sides.

But the change in the international environment has even more far-reaching consequences. Both Turkey and the EC are using new mental maps. In Turkey, the public is increasingly aware that there is more to the definition of modern Turkish identity than Anatolia, the nation, and Europe-orientated "westernisation". The emergence of a new "Turkish world", stretching from the Balkans to western China, has encouraged a new emphasis on Islam as well as nationalism, and will contribute to a re-assessment of Turkey's European bonds.

On the other hand, in the European public and among its political élites, awareness may grow that the former "community of fate" (*Schicksalsgemeinschaft*) between western Europe and Turkey in the field of security policy no longer exists. The EC and Turkey will in future be confronted with quite different strategic challenges. All this may lead to a certain alienation between the two sides, of which the first signs are already visible. It is certainly not mere chance that Turkey has hardly been mentioned in the EC's public debate about "deepening versus widening".

Efforts at normalisation of EC-Turkey relations "in line with the prospect laid down in the Association Agreement of 1964" (Lisbon European Council) may become increasingly entangled in the task of defining the final political goal of the relationship beyond the establishment of a customs union.

The prevailing uncertainty about the future development of the EC, of Turkey, and of the wider Europe raises the question whether strictly following the paths set out in a quite different past is really the best way to set about forging a common future. Finding an answer to this question may become the real challenge for the European-Turkish political dialogue at the highest level.

Prevailing uncertainty raises questions about the best way of forging a common future

Dr Heinz Kramer is a senior research fellow at the Stiftung Wissenschaft und Politik, Ebenhausen.

Both Kurds and Turks hope that the long nightmare of violence may be over, reports Edward Mortimer

Ceasefire demonstrates Ocalan's control

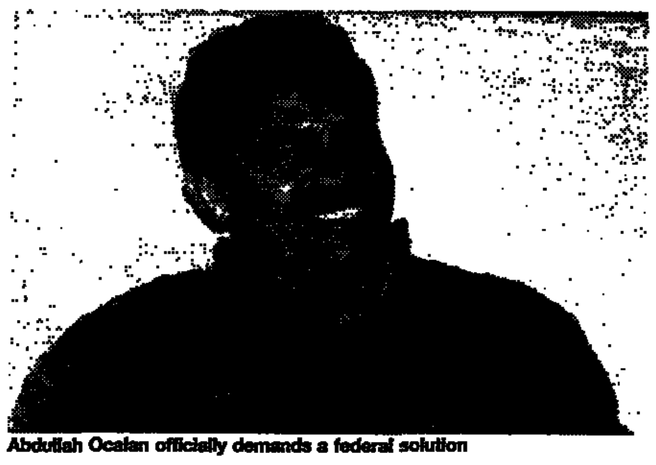
FOR EIGHT-and-a-half years, from August 1984 until March this year, south-eastern Turkey was the scene of a guerrilla war, fought with equal ruthlessness by Kurdish separatists on one side and the Turkish army on the other.

But on March 20, from his base in Damascus, the leader of the separatist Kurdistan Workers' Party (PKK), Abdullah Ocalan, known as Apo, proclaimed a 25-day unilateral and unconditional ceasefire.

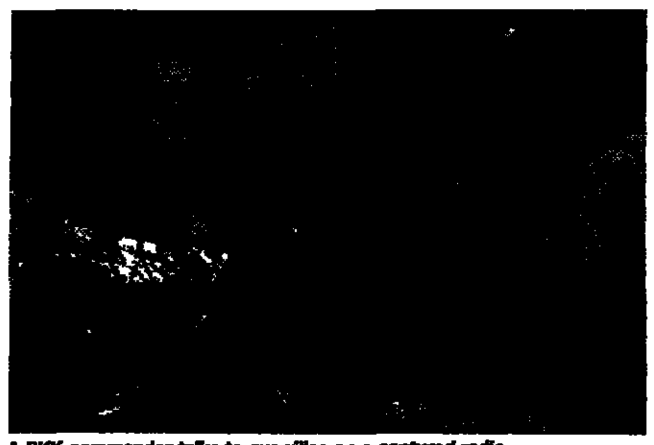
As a result, the traditional Kurdish new year celebrations ("Nawrouz") on March 21 passed off peacefully, in stark contrast to last year when 105 people were killed, and three towns shelled by government forces in full view of German TV – causing a crisis in Turco-German relations and, indirectly, the resignation of the German defence minister (who was found to have supplied weapons to Turkey without authorisation from the Bundestag).

Apo's decision to call the ceasefire is seen in Ankara as an acknowledgement of military defeat, as well as a response to pressure from his Syrian hosts and from the Iraqi Kurds who were determined not to let him jeopardise Turkish support for their "safe haven". Certainly the army has inflicted severe losses on his units in south-eastern Turkey over the past year, while in northern Iraq fellow Kurds have forced the PKK to move well away from the Turkish border.

But the fact that the ceasefire has held amounts to something of a political victory for Apo, since it shows his ability to control guerrilla forces scattered over a wide and ruggedly mountainous region. The Turkish side, too, has shown discipline: the government, which had two weeks' warning of the ceasefire, gave strict instructions to its forces not to overreact to any non-violent demonstrations during Nawrouz, and by and large these were obeyed.



Abdullah Ocalan officially demands a federal solution



A PKK commander talks to guerrillas on a captured radio

Last month, when the 25 days were up, Apo prolonged the ceasefire indefinitely. In fact, he announced he was abandoning the armed struggle in favour of peaceful politics, and that his aim was no longer a separate state but recognition of Kurdish rights within Turkey. For good measure, he renounced his former Marxist principles as well.

It all seems too good to be true, and may yet prove to be. There was a similar moment of hope at the end of 1991, when the present government came to power. Then, too, Apo had spoken of a federal solution, and hinted at a ceasefire; and the prime minister, Mr Süleyman Demirel, toured the south-east proclaiming his determination to treat its people democratically and his recognition of the Kurdish identity. But at that time neither's words were reflected in the actions of his troops, and the war soon resumed more fiercely than ever.

This time, both Kurds and Turks are hoping desperately that the long nightmare of violence may really be at an end, but no one is betting on it. Turks find it difficult to believe Mr Ocalan can have changed his spots completely, and Kurds wonder if the government has the courage and imagination to seize the opportunity he has offered.

Many see the death of President Turgut Ozal on April 17 as tragically untimely. He had done more than anyone to open up the debate on Kurdish identity within the Turkish establishment, exploiting both his own partly Kurdish origins (he claimed to remember speaking the language with his grandmother) and the crisis over the Iraqi Kurds which followed the Gulf war. He struck up a personal leadership with the Iraqi Kurdish leaders, particularly Jalal Talabani of the Patriotic Union of Kurdistan (PUK), who has played a key role in persuading Apo to switch to a non-violent strategy.

Although Ozal no longer controlled the executive, since his Motherland party lost power in the 1991 general election, he did chair the National Security Council, and continued to take a close interest in the Kurdish issue. Many observers doubt whether, in his absence, the government will be able to take the decisions needed to defuse Kurdish grievances, or be brave enough to impose them on the armed forces.

But Ismet Imset, a Turkish journalist who has become the country's leading expert on the PKK, believes Ozal had already made his vital contribution by bringing the Kurdish issue into the open and changing the way people think about it – including senior figures in all the main political parties.

Imset says that people who called him a traitor two years ago, when he published his first interview with Apo, now ring him up to ask his advice. Indeed, he is known to have briefed the cabinet informally after his most recent trips to interview the PKK leader in Syria and Lebanon.

In any case, it is Süleyman Demirel who will now have to take the crucial decisions, whether as prime minister or as a president who will still have great influence over the main governing party. Interviewed by the Financial Times last month, he claimed not to "hear" Apo's pronouncements, arguing that to do so would amount to opening a dialogue. At the same time he could only welcome the ceasefire as a fact, and hinted at a possible amnesty for Kurdish fighters who came down from the mountains "to seek justice under Turkish regular law".

It seems likely, if the situation remains calm, that the state of emergency in the south-east, under which the army's more repressive actions are carried out, will soon be lifted. A big public investment package for the south-east, whose economic backwardness is widely seen as the root cause of the trouble, has already been announced.

But Demirel is much more reluctant to commit himself, as some of his advisers are urging, to allowing the Kurdish language to be used in schools, or on private radio and television – two of the most widely voiced Kurdish demands. (For the last two years it has been allowed in newspapers and in public speech; and in March the interior minister, Ismet Sezgin, announced a further significant concession: the restoration of Kurdish names to thousands of renamed towns and villages. Parents will also be free henceforth to give their children Kurdish names.)

Ocalan's official demand is now for a federal solution – something President Ozal also spoke about once or twice in rather vague terms. Many Kurds would regard that as the ideal, but most know it is very unlikely to happen at all soon. Many - some say a majority – would not benefit directly from it in any case, since they no longer live in the south-east but in the big cities of western Turkey.

For many, proclaiming their Kurdish identity seems quite compatible with a strong Turkish patriotism

Perhaps the most striking fact about the situation today, compared with a few years ago, is the total freedom with which the issue is now discussed, and the passion with which Turkish Kurds now proclaim their Kurdish identity. For many of them this seems quite compatible with a strong Turkish patriotism. But even those who most firmly condemn the PKK's violence and reject its separatism also warn that it has genuine popular support, and that from now on the Turkish state cannot afford to ignore Kurdish aspirations.

New letters for the alphabet

Continued from previous page

key's private telephone manufacturers are quietly stealing a march on some of the larger foreign names. On the back of this, Ankara is beaming Turkish television – a move which will have important strategic consequences for the chances of Turkish groups.

Indeed, the Turks are in the vanguard in a range of infrastructure projects. John Laing, the UK civil engineering group, has a contract in partnership with Turkey's Alarko Holding to build the airport at Ashkabad, the Turkmenistan capital.

Cultural bonds are also being slowly forged. More than 8,000 students are now studying in Turkish universities. There are even cadets from the area in Turkey's military academies.

Following a conference earlier this year, Ankara announced it was to add five new letters to the Turkish alphabet, in a bid to encourage the republics to adopt the Latin script, something they lost in the early 1920s after Stalin, then minister for minorities, forced them to take up Cyrillic.

Political dividends have been harder to come by. Many Central Asian leaders went away from the Ankara summit last year, disappointed that Turkey was unable to offer more than worthy statements.

What is emerging is that many of these states retain a strong dependence on Russia, economically and politically. Some would suggest there are even some sentimental ties. It seems it will difficult for the Central Asians to sever their links with Moscow.

Reviving Islam challenges Atatürk's legacy of secularism, reports **Edward Mortimer**

A tale of two funerals

UGUR MUMCU (pronounced "Oo-oor Moomjoo") was Turkey's best known investigative journalist, delving into the murky waters of terrorism, drug-running, intelligence services and the connections between them. He became known internationally for his work on "the Bulgarian connection" behind the attempted assassination of Pope John Paul II by a young right-wing Turkish fanatic.

But in Turkey he was known also as an outspoken political columnist in the main left-wing newspaper *Cumhuriyet* ("Republic"), an upholder of democratic socialism and personal and political freedom, and an untiring scourge of corruption, oppression, intimidation and censorship, whether exercised by the state or by militant Islamic agitators.

Such a man makes many friends, and quite a few dangerous enemies. But when Mumcu was killed by a car-bomb on January 24 most people assumed he was the latest victim of Islamic fundamentalism. (Other similar murders have been linked to groups trained in Iran, though in this one the police have yet to make an arrest, or even name a suspect.) Overnight, Mumcu became a symbol of Turkey's secular tradition, established by the founder of the republic, Mustafa Kemal Atatürk.

At his funeral in Ankara, "nearly 500,000 people walked for five hours in the rain", according to his friend and colleague Özgen Acar, the editor of *Cumhuriyet*. "The slogans were for secularism and the principles of Atatürk. Since then about 25m people have demonstrated in all the cities of Turkey, even though not more than 200,000 could have read his articles."

Even allowing for exaggeration, Mumcu's death clearly mobilised a broad swathe of Turkish public opinion which values the "Kemalist" legacy very highly, and believes it is under threat.

Three months later, at President Turgut Ozal's funeral in Istanbul, the following slogans were shouted: "Islamic Turkey cannot be secular." "Stop this music, obey his will."* "We want a Moslem leader for a Moslem people." "This is Turkey, not Israel." "Santa Sofia† must be open for Moslems." "Turkey is Islamic, Çankaya [the presidential palace] must be Islamic."

This was clearly an organised demonstration, possibly planned by the Naqshbandi fraternity to which Ozal belonged, with other religious groups and some unorganised bystanders joining in. It may even have been intended as a direct response to the Mumcu funeral and the movement which it unleashed.

Turgut Ozal himself would certainly not have approved of all the slogans. Nor is his quasi-canonisation accepted by all Islamic activists. For instance, Ismet Ozel, a leading Islamic thinker who writes for *Milli Gazetti*, the newspaper of the Islamic "Refah", or "welfare", party, says: "I never considered Ozal a positive figure. Islam had no function in his government. If he was a good Moslem it means there is no need to realise Islam in practice, that we can accept our Moslem identity without it influencing our daily decisions."

From this perspective, Ozal's pro-western policies and his integration of Turkey into the world economic system were contrary to Islam. But other Islamic activists feel grateful to Ozal for at least making no bones about the fact that he was a believing and practising Moslem, whereas previous presidents had considered that any public religious gesture on their part would infringe the secular nature of the state.

Ozal challenged the Kemalist legacy in other ways, too. He gently debunked the orthodox Kemalist version of history, with its near-deification of Atatürk and denigration of the Ottoman regime which he brought to an end. He once remarked that, when at school, he had believed the text books which depicted Abdülhamit, the Sultan deposed by the "Young Turk" revolutionaries in 1909 as a bloodthirsty tyrant, and disbelieved his grandfather who told him it was not true. Only later, when he travelled abroad and was able to read more widely, did he come to the conclusion that his grandfather had been right.

Prof Nur Bilge Criss, a historian of the period in question, says that, as so often in history, the truth lies somewhere between the two. But for her, as a feminist married to a non-Moslem, Atatürk's secular legacy remains vitally important. "It means I am free to have dinner with you, without my husband, and without covering my head," she says.

Anyone familiar with Islamic activists in other Moslem countries can only be struck by the moderation, and attachment to democracy, of most of those who pass for 'fundamentalists' in Turkish politics

To which most Turkish Islamic activists reply that they have no desire to introduce compulsion into matters of personal morality: in their state, it would be up to her, as a Moslem woman, to decide in her own conscience what rules she should obey. Indignantly disclaiming any connection with Mumcu's murder (which they suggest was a "provocation", probably staged by some Turkish or foreign intelligence service), they claim that all they want is full freedom of expression and association, plus some reflection in public life of the religion nominally professed by 98 per cent of Turkish citizens.

Some say they would even be happy with a genuine western-style secularism, in which mosques and religious education would no longer be state-controlled (though perhaps, when it came to the point, they would be less willing to give up the large share of taxpayers' money now spent on such institutions).

On this ground some modern-minded Kemalists, such as Ismail Cem, of the left-wing Republican People's Party, would be prepared to meet them. "Secularism," he says, "should be a guarantee for believers as well – for the girl who wants to wear a veil as well as the one who doesn't. The state should hand over religion to civil society. It might be too early to discuss this in Turkey, but we should start to tell each other that the final goal of secularism is the 'withering away of the state' from all matters of religion."

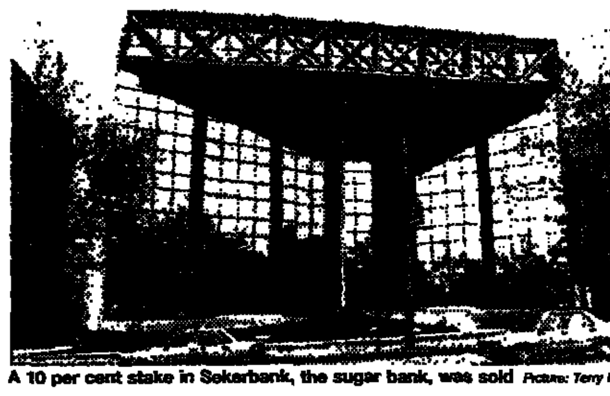
To western ears, that sounds a good idea; and anyone familiar with Islamic activists in other Moslem countries can only be struck by the moderation, and attachment to democracy, of most of those who pass for "fundamentalists" in Turkish politics.

If their statements could be taken at face value, one would have to conclude that Atatürk's revolution has succeeded, and that the Turkish state could now afford to dismantle what is left of the iron cage in which its founder sought to imprison the monster of Islamic obscurantism.

But most Turkish secularists, looking uneasily at the "Islamic" states to the east and south, do not take those statements at face value, and feel the need to keep the beast in its cage a while yet. The battle for the Turkish soul is far from over.

**This referred to a rumour which ran round Turkey in the days after Ozal's death, that he had left a will directing that he be buried "according to my religion", and that Chopin's funeral march should not be played. Had he really done so, it seems most unlikely that his widow would have allowed his wishes to be ignored.*

†The famous mosque in Istanbul, originally a Byzantine cathedral, was made a secular museum on Atatürk's orders in the 1930s.



A 10 per cent stake in Sekerbank, the sugar bank, was sold *Picture: Terry Kirk*

PRIVATISATION

The softly-softly approach has run its course

On one point Mr Üstün Sanver is adamant. "We will never have a fire sale. That I can promise."

Turkey's softly-softly approach to privatisation, however, has almost run its course. The next steps, tackling the large state monopolies, will demand radical measures and will require a political commitment, which has largely been missing under the current programme of disposals.

No one will begrudge Mr Sanver his achievement. In the one and a half years since he took over the Public Participation Administration (PPA), the government agency which handles the sale of state assets to the public, Turkey has raised almost as much in revenues as the former Motherland party achieved in the eight years of its administration.

Using either block sales of shares, or through sales offerings direct to the public, Turkey is starting to run down its huge inventory of more than 230 equity participations.

When J.P.Morgan, the US bank, first prepared its master plan for the Turkish privatisation programme, back in 1986, the main objective was to make the economy "more responsive to market forces, thereby increasing industrial efficiency and generating growth in the real economy." The second impulse was to give a kickstart to Turkey's infant capital markets.

Today, with a coalition in office, the main motivation seems to be to raise revenues to close the budget gap, the financing of which is the main cause of the persistently high inflation.

Unlike in eastern Europe, few Turkish officials discuss the merits of extending share ownership, although, to appease domestic opposition to the programme, there is still an understanding that the larger state concerns will be offered to the public first.

Whenever companies are put up for sale, there are rumblings of discontent among the labour unions, even from the local chambers of commerce, who on several occasions have pooled resources in an effort to buy the state company.

As in other countries, politics is never far from the surface in Turkey's privatisation debate. It was, after all, Mr Süleyman Demirel, the prime minister, who, when in opposition, took legal action to block the sale of five state cement companies to the French concern, Société Ciment Français, on the grounds the shares had not first been offered to domestic investors as required under the privatisation code. When he came to power in October 1991, Mr Demirel found himself in the awkward position of assuming the old government's legal brief in defence of the PPA.

Earlier, offers of small stakes in Tupras, the state refineries corporation, Petkim, the government's petrochemical concern, and Petrol Ofisi all failed to attract much interest, when shares were sold by public offering.

The experience of recent public offerings, all of which have gone off at half-cock, further underlines the problems. The Turkish public appears to have little wish to become share owners. In the recent public offering of Netaş, the telecommunications equipment manufacturer now owned 51 per cent by Northern Telecom of Canada, share applications were invited for 20 per cent of the company. In the event, less than half that amount was subscribed.

"We made a mistake by trying to protect the small investors," Mr Sanver now says. Of the 9 per cent which was sold, one fifth was bought by the company's employees.

Mr Sanver's only satisfaction is that, after coming to the market at a sharp discount to the issue price, Netaş shares have since shot up – a vindication of the PPA's contention that this was a blue-chip offer.

Two Mediterranean-based state-owned power utilities, *Cukurova and Kepez, attracted considerable domestic* interest, with the PPA selling the companies for more than twice the minimum price

The major features of 1992 were:

■ The Netaş sale. The PPA sold a 20 per cent block to the Canadians for US$23.5m. After the public offering, the PPA is left with some 21 per cent of the company. Mr Sanver says the PPA is consulting a foreign bank about the possibilities of placing the remaining stock with foreign institutional investors.

■ Two Mediterranean-based state-owned power utilities, Cukurova and Kepez, attracted considerable domestic interest, with the PPA selling the companies for more than twice the minimum price set by the authorities. Both utilities were sold to Rumeli Holding, owned by the Uzan family. Rumeli paid $81m for the PPA's 11.25 share of Cukurova, and a further $33m for a 25 per cent share of Kepez. The Uzan concern then proceeded, in somewhat unconventional fashion, to solicit the proxy voting rights of the remaining shareholders, eventually winning control of the Cukurova board.

■ Cement companies also proved attractive, with the PPA selling shares in six companies, raising $281m. Two more cement companies – Sanliurfa and Ladik – were sold in block shares in April, agin to the privately owned Rumeli group, which is proving to have a corporate appetite previously undetected.

Mr Sanver says the remaining seven cement plants, one in Thrace and the remainder in the east of Turkey, all of which are still owned by the state-run Citosan Holding, would raise around $200m.

■ In April, the PPA announced the sale of the Turk Automotive Industry (TOE), which used to have the US Harvester farm machinery company franchise. The TOE was sold for TL70bn ($6m).

■ Gima, the state-owned food and general store chain, was sold for TL201bn to a local hotel concern.

■ A 10 per cent stake in Sekerbank, the sugar bank, was sold to the sugar beet producers association.

Turkey's privatisation target for 1993 is TL25,000bn – more than three times the $570m raised last year. Mr Sanver is confident the target can be met. Planned sales include 12-15 per cent of Usas, the state airline catering company (part owned by SAS, the Scandanavian concern); the PPA's remaining stake in Netaş; and 22 per cent of Fiat's local assembly venture Tofas.

But, given the current pace of sales, the PPA's portfolio of companies will soon be exhausted. The challenge then is to tackle the main public corporations, like the PTT, the state telephone monopoly, where foreign consultants are already discussing plans to separate the company into its postal and telecom units.

The one encouraging sign is that, having relied on home-grown advice from Turkish banks for much of the workload to date, the PPA is now in discussions with a number of foreign banks, including the UK's Morgan Grenfell, to help devise the programme for the next generation of state sell-offs.

John Murray Brown

Towards customs union

Protectionism falls

IT HAS been a rude awakening. This spring, Turkish industry has suddenly realised that customs union with the European Community is no longer a political catch-phrase but an impending commercial reality. How are Turkish corporations handling this?

When the 1993 import regime was being prepared, their traditional strategy – visiting their friends in the under-secretariat of treasury and foreign trade, and pleading their case for 50-100 per cent customs barriers – proved inadequate.

True, a few industries, such as household electronics, were able to gain a temporary respite. But the average level of protectionism against EC industrial goods fell by over one quarter, from 21.6 per cent to 15.2 per cent, according to initial Community calculations. Industry now accepts that this was not a one-off blow, but part of an irreversible drift to full customs union. This is due in 1995, according to the Turks' interpretation of current treaties, and in 1996, according to Brussels.

The response of Turkey's largest commercial group, Koç c has been to make a zero tariff regime a central assumption of its strategy, Koç 2000. The group has six main divisions: automotive (it produces 55 per cent of Turkey's cars), durable goods, consumer products, construction and mining, energy, and trade and tourism.

Customs union could particularly hit its dominance of Turkey's white and brown goods market, each of which racked up turnover of around $2.5bn in 1992. It accounts for 52 per cent of the refrigerators produced in Turkey and 33 per cent of its television sets.

If any company should have been able to plead its case while this year's tariff regime was being prepared, it was Koç. Overall group turnover of $11.3bn in 1992 was equivalent to a healthy 7.5 per cent of Turkey's GDP, and the then under-secretary of the treasury was its former financial co-ordinator.

Indeed, where cars and brown goods were concerned, some respite was gained. But in the case of washing machines, the degree of protectionism fell from 33.5 per cent to 16.1 per cent. Koç says that its consumer durable division is working on the assumption that worse is to come.

The group's white-goods company, Arçelik, is Europe's fifth largest producer of refrigerators and earns good margins – 10 per cent before tax on sales, compared with international levels of nearer 2 per cent.

Executives responsible for these activities say that, when Turkey's white goods producers visited Ankara last November, they did not ask for higher tariffs. They see themselves as a sector which can stand on its own feet, and believe that Turkey's negotiators may make concessions to Brussels on white goods in order to gain ground on more fragile industries. What they are against are the costly surprises to which they, and other companies in Turkey, have often been exposed in the past. "We asked for a schedule, not protection," one executive says.

Koç also asked that Turkish officials negotiate on non-tariff barriers. It complains of packaging requirements that are only applied to imported appliances and what it sees as suspiciously protracted national testing processes. If these arguments, which Turkish negotiators may be raising in the future, what is Arçelik doing today? Its strategy is fourfold:

■ Developing licences with leading European companies to ensure their technology stays state of the art. Examples include its agreements with Bosch.

■ Strengthening their production base by increasing investment from 5 per cent of turnover to 9 per cent.

■ Building their presence in the European market. Koç has gained a foothold in the UK under its European brand name, Beko, and this year will begin to market in France, with Spain to follow.

■ Seeking an alliance with a major European white goods player. In return for state-of-the-art technology and a chance to use the partner's distribution channels, Koç is offering a share of its 60 per cent hold on the Turkish market, as well as access to low-cost engineering talent and skilled labour.

In short, Koç is both flowing with the tide toward customs union and making sure Turkey's negotiators are well prepared.

Their strategy is of more recent date than that adopted a decade ago by Eczacibaşi Holding, owner of Turkey's leading pharmaceutical company and of an industrial group with turnover in 1992 of $1.5bn. In the mid-1980s, the group decided that it would concentrate on the businesses it knew, and that it could no longer rely on protected markets.

As Mr Toker Alban, deputy general manager at the Holding explains: "We saw there were areas where we were strong in Turkey but weak internationally. In these, we believed that without a strong partner we could not survive."

Resulting from this are the various 50:50 joint ventures it has developed with Ja/Mont (itself a joint venture of James Rivers of the US, Feruzzi of Italy and Nokia of Finland) for tissue paper; with Procter & Gamble for disposable diapers and sanitary napkins; with Marazzi of Italy for ceramic tiles; and with American Standard for perspex bathtubs. It also obtained its drug partners' help in making sure that it incorporated the latest technology in its new pharmaceutical plant, a $100m investment which opened last autumn.

Eczacibaşi has also put its emphasis on marketing, not just in Turkey but abroad. Last year, it set up a drug wholesaling operation in Russia and its first pharmacy in Moscow – 80 years after its first one in Izmir – with plans to franchise its name through the Commonwealth of Independent States.

The Holding now produces 15.5 per cent of Turkey's pharmaceuticals (and accounts for half of the country's total drug exports), 80 per cent of serums, 70 per cent of toothpaste, 60 per cent of tissue papers, 80 per cent of sanitary napkins and over 40 per cent of its ceramics.

David Tonge

The auther is general manager of IBS Research and Consultancy company, which helps international companies build their business in Turkey and publishes "Doing in Business in Turkey", a 700-page update reference service.

The structure of the banking sector still looks a little fragile, says **John Murray Brown**

Inflation complicates the figures

ON FIRST impressions, Turkish banks would seem to be making handsome profits. But first impressions can be misleading. For even here, in one of the more robust sectors of the economy, inflation and the lamentable state of public finances are starting to make their mark.

It is difficult, without inflation accounting standards, to be confident about the figures. Reported profits certainly have increased, even adjusting for the depreciation of the lira. However, as far as the balance sheets are concerned, many bankers acknowledge there has been a steady deterioration in some of the key financial ratios.

High real interest rates mean that many institutions remain extremely liquid, as managers struggle to place the mushrooming level of savings deposits. Moreover, foreign exchange accounted for half of all deposits at the end of 1992 – a trend which has left many banks exposed to increased currency risk.

To the consternation of the banking authorities, the phenomenon of "currency substitution" is taking a grip on the sector. Emlak, a state-owned housing bank now offers index-linked housing loans. Meanwhile, the consumer boom has been fuelled largely by short-term foreign borrowing by commercial and state banks.

The regulatory authorities have not favoured the banks. Turkish managers complain that they face legal reserve requirements much higher than the European average – a measure of the central bank's concern to control credit liquidity. While the central bank continues to maintain these levels, bank intermediation costs – the spread between lending and borrowing – will remain high.

The problem of the lack of a developed spot and forward foreign exchange market, meanwhile, continues to bedevil overseas investors trying to hedge the lira.

Just to rub salt in the wounds, the banks suffered from the loss of key tax concessions in 1992, with a minimum effective corporation tax established at 23 per cent. Hitherto, because of the tax incentives offered to holders of treasury bills and other incentives, few banks incurred the standard 46 per cent corporation tax. Indeed, many banks were able to offset all their liabilities, incurring only the 10 per cent withholding tax.

The latest legislation is aimed at diverting funds to the stock exchange. However, for the more conservative institutions, like the privately owned Akbank, the tax move was a major blow. In 1992, Akbank suffered its first fall in profits since it went public in 1989, in large part as a result of a hefty 140 per cent increase in its tax charge.

Lack of a developed spot and forward forex market continues to bedevil overseas investors

For all the changes of recent years, the structure of Turkish banking still looks a little fragile. The landscape is dominated by the state-owned banks. As for the private sector banks, most are owned by, and largely dependent on, the performance of parent holding companies. Ak, for example, is controlled by the Sabancı family.

The World Bank has had some success in helping to restructure the balance sheets of some of the state banks, although the problems at Ziraat Bank, the state-owned agricultural credit bank, has meant the last tranche of a financial sector reform loan was held back – and has now been cancelled altogether.

The issue, as with all of the state sector, is to introduce financial disciplines to meet the market. Ziraat is perhaps an extreme case. The bank, after all, acts more like an arm of the Treasury, collecting road and bridge tolls in rural areas, and making payments to civil servants. The bank calculates it makes around 63m transactions every year.

Ziraat's reported profit was more than five times that of the next most profitable bank. "Our branch next door makes more than a medium size bank," claims Mr Caner Oner, executive vice-president. However, the vast proportion of its loan book – he estimates around 85 per cent – is to the agricultural sector, where levels of default are notoriously high. Moreover the bank does not make provision against lines extended to state-owned crop co-operatives, where there is often little realistic chance of recovery. The bank is accruing interest, thus inflating its income while deflating costs.

One economist, familiar with the bank, said that if real provisions were made it would probably wipe out the net worth of the bank.

For all its problems, Ziraat has been leading the way in the development of personal finance, where Turks have taken quickly to the advent of plastic credit cards and automatic teller machines.

To keep up with the demands created by the market-based economic reforms, set in motion by the former Ozal administration in the early 1980s, many banks are now investing in the infrastructure of automation.

Most private-sector banks are owned by, and largely dependent on, parent holding companies

"The basic reason we invested so much in computerisation was to keep the customers out of the bank," says Mr Oner. Ziraat, with some 10m retail customers, now has 16 different types of card. The bank has the largest ATM network, and is introducing phone banking.

Işbank, Turkey's largest commercial bank, has gone one step further. Customers can now make share transactions through an ATM, even on a Sunday when the Istanbul Stock Exchange is not trading.

Consumer lending, too, is a growing activity. However, recent bank performance has been driven by Treasury bill activity, which offers an attractive risk-free high yield investment. The banks, in effect, are feeding on the inability of the government to contain its hunger for funds.

"In today's market, if you go to a triple-A customer, they are not ready to pay more than 85 per cent," says Mr Unal Korukcu, Işbank general manager.

The high cost of funding has hit foreign banks, too. One French banker said European institutions that set up retail operations in earlier years were now reassessing their strategies, as big blue-chip Turkish companies turned to local banks to organise their offshore credit needs.

Given all the difficulties, many observers believe Turkish banks are still some way from reaching the capital adequacy ratios set by the Bank of International Settlements. The broader exercise of harmonisation of Turkish banking with those of the European Community has even further to go.

In line with BIS requirements, many banks have started a programme of disposals of their equity participations. Işbank, which at one stage saw itself as a leader of industry, has sold its interests in Unilever, the Anglo Dutch conglomerate, one of more than 100 equity participations. The bank has also sold cement factories, and interests in Tofas, the Fiat assembly operation.

For all that, Mr Unal Korukcu, the Işbank general manager, says the portfolio has actually increased as a result of capital expansions. In addition, in some cases of non-performing loans, the bank has been forced to take new equity positions under debt-for-equity arrangements. Now the highly liquid state of the bank is also impairing the effort to reach the capital ratios.

"We now have to be very careful we do not let our deposits rise too high," says Mr Korukcu.

THE TOP TEN BANKS (TLm)

	Tier One Capital	Capital/assets ratio (%)	Pre-tax profits	Assets
1 TC Ziraat Bankası	5,231,804	5.22	5,588,584	100,132,815
2 Akbank	2,985,167	9.51	1,622,534	31,076,166
3 Türkiye Iş Bankası	2,304,257	4.58	1,092,393	50,314,021
4 Türkiye Garanti Bankası	2,258,652	11.00	1,230,758	20,539,717
5 Yapı ve Kredi*	1,319,320	6.93	513,308	19,030,351
6 Türk Ticaret Bankası	1.152.874	7.89	155,064	14,602,632
7 Türkiye Kalkınma Bankası*	799,286	14.98	96,484	5,336,290
8 Türkiye İhracat Kredi Bankası*	703,968	8.84	104,352	7,962,792
9 VakifBank*	658,602	4.28	125,870	15,400,455
10 İller Bankası*	554,205	8.91	83,690	6,217,054

*End-1991; all others end-1992

Exchange rate: End-1991 $1=TL5,079.9; End-1992 $1=TL8,564.4

Source: The Banker, May 1993

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IN BRIEF

Cost-cutting Digital sells Olivetti stake

Digital Equipment, the US computer company struggling to cut costs, has sold nearly 100m Olivetti shares, acquired as part of an ambitious 1992 plan to strengthen links with the Italian computer group. Page 14

Hoechst upbeat after 39% rise
Hoechst, the German chemicals group, reported a 39 per cent jump in first-half profits and predicted a sharp increase for the full year in spite of continued heavy restructuring costs. Page 14

Higher advertising revenues lift Fairfax
John Fairfax, the Australian newspaper publisher in which three media magnates – Mr Kerry Packer, Mr Rupert Murdoch and Mr Conrad Black – hold stakes, nearly doubled its profits in the year to the end of June to A$110.7m (US$81.4m). Page 17

Mercedes-Benz to buy VW engines
Mercedes-Benz, the German maker of luxury and executive cars, is to buy engines from Volkswagen for use in a future passenger vehicle. Page 16

Swedish engineers ahead
Two of Sweden's leading engineering groups, Sandvik and Atlas Copco, announced better-than-expected first-half figures on the back of a sharp upturn in volumes. Both companies highlighted better demand from the automotive sector. Page 16

KPN beats expectations with 17%
Koninklijke PTT Nederland, the Dutch telecommunications and postal group which was partly privatised in June, posted a rise of nearly 17 per cent in first-half net profit, exceeding analysts' expectations. Page 14

Esselte ahead despite slow sales
Esselte, the Swedish office products group, reported a 30 per cent rise in pre-tax profits in the first half to SKr180m ($23.7m), up from SKr138m in the same period last year. This was in spite of only a small increase in sales. Page 14

Marley sharply ahead
Marley, the UK building materials group, announced pre-tax profits of £26m ($40m), for the six months to the end of June – its best first-half profits since 1989. Page 19

Oil prices reduce Monument
Low oil prices hit Monument Oil & Gas, the independent UK explorer, which yesterday announced a 36 per cent fall in interim net profits to £3.4m ($5.2m). Page 19

Invesco at £18.7m as margins improve
Invesco, the international fund management group, reported flat interim pre-tax profits with improved European contribution offsetting a decline in North America. Page 21

Mersey Docks leaps 78%
Mersey Docks and Harbour, the UK's second-largest port group, announced a 79 per cent increase in interim pre-tax profits to £15.9m ($24.4m). Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Elf Sanofi	947	+	17
Rises				Gaumont Soc	308	+	14
Bnk Berlin	391	+	16	**Falls**			
Deutsche Bk	701.5	+	15.5	Canal Plus	911	–	16
Douglas Hld	517	+	11	Cred Fonc	929	–	21
Karstadt	612	+	13	Interlech	613	–	24
Porsche	841	+	21	**TOKYO (Yen)**			
Schering	912.5	+	24	**Rises**			
NEW YORK ($)				Aska Corp	485	+	16
Rises				Chiyoda F&M	705	+	18
Alcoa	78½	+	1½	Komatsu	949	+	19
Best Buy	33¼	+	2	Minebea	835	+	24
Oracle	40⅞	+	1⅝	**Falls**			
Falls				Dai Tokyo	755	–	21
Amgen	54	–	2	Yamaha Mtr	849	–	33
Blockbuster	26⅝	–	1⅝				
Magn Stdy	67⅞	–	2				
PARIS (FFr)							
Rises							
AXA	258.7	+	4.7				

New York prices at 12.30pm.

LONDON (Pence)				**Falls**			
Rises				Berisford Intl	182½	–	7½
Canadian Pizza	108	+	13	Bickley	264	–	9
Harrington Kilb	48	+	8	Body Shop	219	–	8
Investment Co	45	+	8	Fine Decor	223	–	22
Macallan-Glenlivet	203	+	11	Gartmore	173	–	6
Maybarn	181	+	8	Invesco	172½	–	11½
Northern Elect	878	+	30	Senior Eng	123½	–	14½
Parity	129	+	12	Sutcliffe Speak	40	–	7
Smith (WH)	481½	+	12½	Telegraph	360	–	14
Southern Elect	790	+	25				
Unigate	388	+	12				
Virtuality	397	+	8				
Yorkshire Elect	744	+	26				

Nordbanken gains before privatisation

By Hugh Carnegy in Stockholm

Nordbanken, the biggest casualty of Sweden's 1992 banking crisis, yesterday reported the biggest profit achieved by a Swedish bank in the first half of this year, lifted by its acquisition last December of Gota Bank, the other chief victim of the loan loss shock.

Nordbanken, bailed out by the government two years ago but now set for privatisation, announced an operating profit in *the first six months of SKr2.46bn* ($363m). The profit was higher than the SKr2.3bn achieved by Svenska Handelsbanken, the only bank which survived the crisis without seeking state aid. Nordbanken said it expected profits in the second half to be similar, implying a full-year profit of around SKr5bn.

The rising profits were largely attributed to a big fall in loan losses, which tumbled to SKr1.09bn in the first half, SKr167m of which were accounted for by Gota Bank. *Nordbanken's loan losses were* SKr2.78bn in the first half of 1993. (Nordbanken did not show comparative consolidated figures including Gota Bank for 1993.)

The result strengthens the case for Nordbanken's privatisation. A decision may be made soon after next month's general election.

Privatisation will help the state recoup some of the huge sums it paid to keep the banking system afloat. The lion's share of the support – worth about SKr80bn – went to Nordbanken and Gota Bank in an operation which *included hiving off SKr110bn of* their bad loans to separate "bad banks" which will remain under state management until fully unwound.

The clean-up at Nordbanken and Gota Bank provoked protests from its rivals that Nordbanken had gained unfair competitive advantage. It now has around 25 per cent of the domestic market.

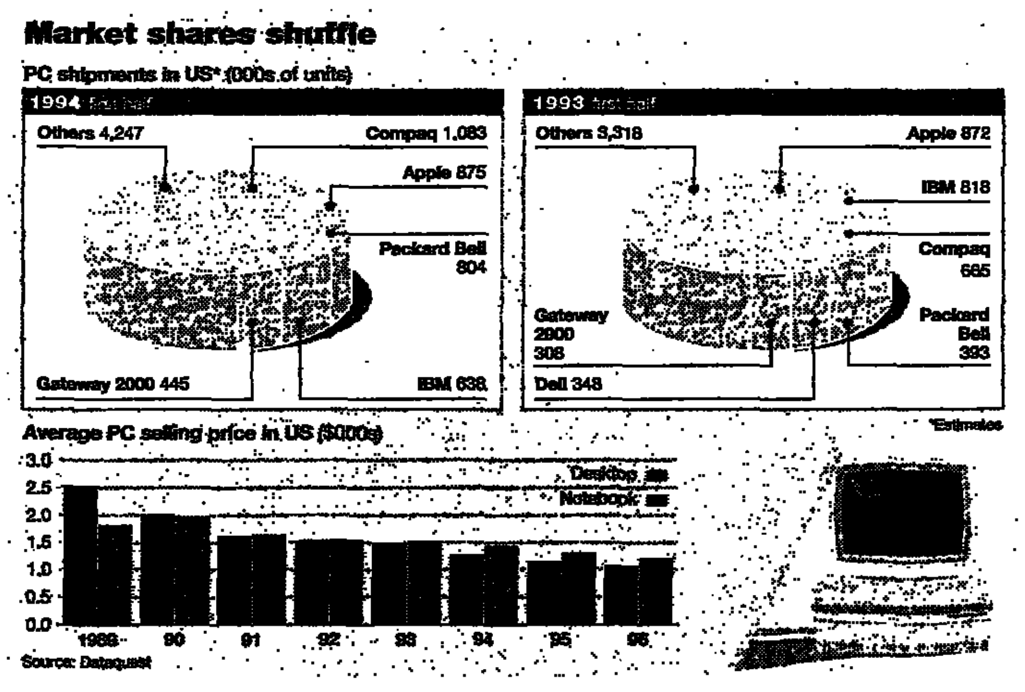
But Nordbanken said its non-performing loans still totalled SKr15bn – down from SKr15.9bn at the beginning of the year – and it made provisions for loan *losses of SKr9.2bn. It warned that* a recent rise in interest rates could extend the period of high loan losses.

Excluding Gota Bank, Nordbanken's operating profit was up only slightly at SKr1.97bn, compared with SKr1.74bn in the same period last year.

It was also slowed by falling lending volumes and narrower margins which left net interest income, excluding Gota Bank, at SKr4.38bn, compared with SKr4.36bn in the first half of 1993. Net interest income including *Gota bank was SKr5.54bn.*

The response to Compaq's cuts is gathering momentum, reports **Louise Kehoe**

IBM picks up the gauntlet in PC price war



"Compaq Shock" has hit the US personal computer market, as competitors scramble to match last week's action by Compaq Computer that reduced prices of many of its PCs by 11 to 22 per cent.

Yesterday, IBM announced broad price cuts of up to 27 per cent, matching Compaq's new prices on most models and undercutting its rival by about 5 per cent in the important "PC server" segment.

The situation is reminiscent of the "Compaq Shock" that hit the Japanese PC market two years ago when Compaq dropped its prices and bulldozed its way into a market formerly dominated by NEC.

This time Compaq's targets are IBM and Apple Computer – for many years the leading US PC suppliers. Compaq has vowed to overtake them to become the world market leader by 1996.

Armed with $2.2bn worth of inventory which it hopes to unleash on the market over the October to year-end quarter, typically the peak PC selling season, Compaq is gunning for battle.

With gross profit margins well above those of its competitors, Compaq can afford to engage in a *price war, say industry analysts.* IBM has been quick to respond to Compaq's price cuts and other leading PC makers are expected to follow suit over the next couple of weeks. Hewlett-Packard said yesterday that it will undercut Compaq's new prices in about two weeks, while Digital Equipment has also vowed to remain price competitive. The response of smaller PC companies is less predictable. "My gut feeling is that some competitors will react and some will not. It depends on their overall strategy," said Mr John Carlo Bisone, Compaq's senior vice-president of North American marketing.

Compaq's attack comes at a particularly vulnerable time for its biggest competitors. IBM is in the middle of restructuring its PC business while Apple is making a transition to PowerPC microprocessor technology.

The price war could prove particularly costly to IBM, which is struggling to regain momentum in the PC market. IBM's second-quarter US shipments dropped 29 per cent, even as shipment volume at its four biggest rivals rose.

In the second quarter, Compaq had a 14.3 per cent share of the US market, according to Dataquest. *Apple Computer had an* 11.2 per cent share; Packard Bell Electronics had 9.3 per cent and IBM trailed at 7.9 per cent.

The price war could prove particularly costly to IBM, which is struggling to regain momentum in the PC market

IBM's profit margins in the PC business are also well below those of Compaq, which claims to be the market's lowest-cost producer. The new price cuts will further reduce profit margins, but the company must respond to Compaq's price challenge if it is not to see its market share dwindle.

Fuelling the battle in the PC industry are sharp price reductions by Intel, the leading supplier of microprocessor chips. Over the past four months Intel has lowered prices on its 486 and Pentium chips by about 40 per cent. *This has* given PC makers an opportunity to trim their prices, while maintaining profit margins.

Another factor that is adding momentum to the PC price war is the broad availability of products. Over the past two years, PC makers have frequently been unable to keep pace with demand for their products because of component shortages. Most of these problems have now been solved and the industry has a glut of products that it is anxious to unleash on the market.

The price cuts are also seen as a precursor to the introduction of new products as the market shifts toward higher performance machines based on Intel's Pentium microprocessors. *IBM is* expected to launch several new models in October and will also move to simplify its product line by eliminating the current overlap between models aimed at different market segments.

Television advertising will for the first time in several years become a weapon in the looming PC marketing battle, with Compaq planning to double its spending on US television commercials over the next three months and IBM planning to return to TV advertising for the first time in years. Intel is also planning its most ambitious TV advertising campaign to date.

"A fundamental shift in the market is taking place," said Mr *Dennis Carter, Intel vice-president* for marketing. PC sales to home users are exploding, he said. In the fourth quarter of 1993, US sales of PCs to consumers outstripped sales to businesses *for the first time.*

However, while Intel is aiming its marketing campaign at home PC users, the focus of the PC pricing activities is in the corporate segment of the market, which typically includes higher performance computers that command higher prices and profit margins.

IBM's price cuts are particularly aggressive on "PC servers". The largest IBM price drop is on a PC Server Array formerly priced at $13,090 which will now carry a list price of $9,500. This compares with Compaq's price, on an equivalent PC server, of $10,000.

Rover sale helps Honda to double pre-tax profits

By Kevin Done in London and Michiyo Nakamoto in Tokyo

BMW, the German carmaker, has paid Honda £200m ($310m) for its 20 per cent stake in Rover *bringing the total cost of its* takeover earlier this year of the leading UK car producer to £1bn.

Details of the financial transactions between BMW and Honda were revealed for the first time yesterday with the publication of the Japanese carmaker's first-quarter results.

It was also disclosed that Honda paid BMW £74m to buy back the 20 per cent stake that Rover previously owned in Honda of the UK Manufacturing, the Japanese carmaker's British assembly plant in Swindon.

According to the Honda figures, the net cost to BMW of unravelling the cross-shareholdings between Rover and Honda totalled £126m.

Honda's one-off gains from the Rover transactions led to its pre-tax profits in the first quarter to June more than doubling to Y32.2bn ($325m) from Y15.3bn. Net profit almost quadrupled to Y23.1bn from Y6.1bn including a Y12.8bn gain from the sale of the Rover holding.

Honda's operating profit for the quarter rose 15.8 per cent to Y25.8bn from Y22.3bn. Cost-cutting efforts saved Honda Y19.5bn, but the yen's strength against the dollar reduced operating income by Y26.5bn.

Honda's turnover for the quarter rose 5.8 per cent to Y973.1bn.

The group's results were supported by a strong performance in the US, where its car sales volume has risen 15.1 per cent in *the first seven months of this* year. Its sales in the US, which account for nearly half of its car business, were firm despite price increases introduced in May in response to the yen's rise against *the dollar.*

Honda also did well in Europe, where the value of its first-quarter car sales rose 20 per cent. Its sales volume in the first six months in western Europe increased 10 per cent, against a 7 per cent rise in the western European market and a 4 per cent decline in total Japanese new car sales in Europe. Honda fared less well in its domestic market where it was hit by sagging interest in its ageing models and by its absence from the passenger mini-van market which has been the most lively sector in the Japanese vehicle arena.

Barrick poised to win Lac with revised C$2.4bn offer

By Robert Gibbens in Montreal

The management of Lac Minerals was last night poised to accept a revised offer by American Barrick valuing the Canadian gold producer at C$2.4bn ($1.73bn).

Barrick, one of North America's top three gold producers, has beaten rival Royal Oak Mines for the hand of Lac Minerals and will become one of the world's biggest gold producers.

It raised both the cash and *share-exchange terms of its offer.* The new offer is C$5 cash and 0.325 shares of Barrick for each Lac common share. Alternatively Lac shareholders can take 0.487 shares of Barrick.

About half Lac's 148m shares are held in the US and many US institutions had been awaiting the higher bid from Barrick. "This is a friendly transaction with Lac," said Mr Peter Munk, chairman of American Barrick resources and controlling stockholder. "The combination is an excellent strategic fit."

The two companies will have combined annual gold output of 2.8m ounces in North and South America. Their exploration activities will include the western and eastern hemispheres.

Barrick will move ahead of Placer Dom, Newmont and Homestake taking a clear lead *among the North American-based* producers.

It is seeking 100 per cent of the Lac shares, and said Lac's management would recommend the new offer.

Mr Munk said Lac would benefit from Barrick's financial strengths and management experience. "Shareholder values will be significantly enhanced.

"We are creating one of the largest and most profitable gold producers in the world with exceptional growth potential."

Barrick's new offer expires on September 6. The document will be mailed to Lac shareholders by this Friday.

Earlier Royal Oak Mines, a Vancouver-based medium-sized gold producer extended its bid to September 6, saying it had received a "strong response" by the previous expiry date of midnight, Tuesday.

It refused to disclose the level of acceptances it had achieved.

Barrick's first-half earnings were C$122.8m, or 42 cents a share, up 19 per cent. Gold output rose 24 per cent to 947,535 oz, lifted by the performance of its Goldstrike Mine in Nevada. On June 30 the group had C$382m cash and little debt.

Telegraph feels battle pains

By Raymond Snoddy in London

Mr Conrad Black, chairman of The Telegraph, said yesterday that price wars in the UK's national newspaper industry represented the company's biggest challenge since its move from Fleet Street eight years ago.

The group also announced a 12 per cent fall in interim pre-tax profits to £30.3m ($47m), from £34.6m, although the 1993 figures were helped by the sale of investments.

The price-cutting war launched by Mr Rupert Murdoch's The Times had already started to eat into Telegraph profits. The decision to counterattack, by cutting the week-day price of the Daily Telegraph to 30p, cost the group £1m for the six days of the change included in the six months to June 30. A further £1m was spent on a voucher scheme before the price cut, and £8m on promotion during the period to protect the Daily Telegraph's circulation against the 20p Times.

Mr Black acknowledged yesterday that the "severe effects" of the cover price reduction would be reflected in group results in the shorter term, and promotional costs to support the titles would continue to be significant.

"We are dedicated to maintaining the quality of our products and the pre-eminence of these products in the newspaper advertising industry," said Mr Black.

Since the Daily Telegraph cut its price, circulation has increased from 993,000 to 1.07m.

Mr Black added that areas had been identified where costs could be saved.

Mr Stephen Grabiner, the Telegraph's managing director, said the irony was that the new readers were largely the young people the Telegraph had tried and failed to attract in the past. The company could not "afford to blink" in the price wars.

The drop in UK circulation revenues of around 4 per cent was offset by good results from the John Fairfax newspaper group in Australia, an associate company. The contributions from associates more than doubled from £4.4m to £11.8m. Operating profit at The Telegraph was down by £3.5m at £20.3m.

Earnings per share were 15.8p. This compared with 13.4p excluding the effects of investment sales and 16.6p including them.

The interim dividend remains unchanged at 5.5p.

INTERNATIONAL COMPANIES AND FINANCE

Digital sells 7.9% stake in Olivetti

By Andrew Hill in Milan

Digital Equipment, the US computer company struggling to cut costs, has sold nearly 100m Olivetti shares, acquired as part of an ambitious 1992 plan to strengthen links with the Italian computer group.

The 7.9 per cent stake was gradually sold during the slack holiday period. At yesterday's closing Olivetti share price, it would be worth about L230bn ($147.43m).

Digital said yesterday that the sale did not mark the end of product and technological co-operation between the two companies - the other principal pillar of the 1992 deal between the groups. The US company stressed that it would continue to be an important client of Olivetti for components, terminals and PCs, and a partner in markets where Olivetti is present.

However, industry sources pointed out that the divestment, part of an extensive programme of sell-offs by the US company, had weakened the two-year-old accord, originally heralded as a bold move to buy access to Europe's largest personal computer group.

Recession and management problems at Digital have undermined those ambitions. The US group announced an extensive programme of restructuring earlier this year, involving the sale of assets and the loss of 20,000 jobs.

Olivetti put a brave face on the news, pointing out that the sale of a large block of shares had been "easily absorbed by the market, and in particular institutional investors", with no marked effect on the share price.

It also said that some 75 per cent of its capital was now owned by small shareholders and institutional investors, of which 50 per cent are foreign.

Digital announced its plan for closer co-operation with Olivetti in June 1992, buying some 4 per cent of the Italian company immediately and indicating that it would increase its holding to as much as 10 per cent over two years.

The deal was also based on the two companies swapping products, with Digital originally expecting to sell 100,000 Olivetti PCs in Europe.

The US group accelerated its investment programme last year, lifting its holding to 8.21 per cent by May this year, which made Digital the largest Olivetti shareholder after Cir, one of the holding companies of Mr Carlo De Benedetti, the Italian company's chairman.

The stake has since been diluted by capital increases and the conversion of bonds into shares.

Esselte ahead 30% in spite of slow sales

By Hugh Carnegy in Stockholm

Esselte, the Swedish office products group, yesterday reported a 30 per cent rise in pre-tax profits in the first half to SKr180m ($23.7m), up from SKr138m in the same period last year. This was in spite of only a small increase in sales.

The group said the profits growth was produced by a reduction in costs of SKr65m, which more than offset a SKr23m increase in financial expenses to SKr96m, caused by lower hedging benefits.

Esselte confirmed its forecast that full-year pre-tax profits in 1994 would exceed last year's SKr301m.

Sales in the first half rose 3 per cent to SKr5.89bn from SKr5.7bn. Although Nordic and southern European markets showed growth, sales were lower in the US, the company's biggest country market, and in Germany.

However, a turnround in the US, where the company's operations have been restructured, was expected in the second half of the year.

The benefits of new products, particularly the new Dymo 1000 electronic labelling tool, were also expected to show through in the latter stages of the year.

Divisional results showed the strongest performance for Esselte Dymo, the mainstream office products division, and Esselte Meto.

Sales at Esselte Dymo increased to SKr2.2bn from SKr2bn, while operating profits rose to SKr139m from SKr118m.

Sales at Esselte Meto, which makes price marking equipment and other products for the retail industry, rose slightly to SKr1.49bn from SKr1.45bn, but operating profits jumped to SKr101m from SKr68m.

Esselte Pendaflex, which handles traditional office supplies to the US, Canada and Mexico, North America, pushed up sales to SKr964m from SKr933m and swung to an operating profit of SKr15m from a loss of SKr7m.

Hoechst shows solid rise despite restructuring costs

By Christopher Parkes in Frankfurt

Hoechst, the German chemicals group, yesterday reported a 39 per cent jump in first-half profits and predicted a sharp increase for the full year in spite of continued heavy restructuring costs.

Pre-tax earnings in the second quarter soared almost 70 per cent to DM579m ($376.5m), bringing the total for the first six months to DM1bn.

The group said product prices were still too low although raw material costs were rising.

It noted that restructuring costs in the half were unchanged from last year, while rising sales volume had lifted turnover by 7.3 per cent to DM24.7bn.

The consolidation of the AgrEvo plant protection company, formed in the merger of Schering's operations into those of Hoechst, accounted for 3 per cent of the sales rise, while currency factors contributed a further 1 per cent.

The results, published in an interim report, added further weight to claims that the international economic recovery is spreading and taking hold in Germany.

While BASF, which last week reported a 41 per cent earnings rise, saw domestic sales fall 2.3 per cent, Hoechst reported a slight increase in German turnover.

Sales at Hoechst Celanese, the north American subsidiary, rose 7 per cent to $3.6bn, helped by a recovery in chemicals prices to last year's levels.

Turnover in Latin America climbed 16 per cent, due in part to the contracts undertaken by the Uhde chemical plant construction subsidiary.

Asian sales increased 25 per cent, and while two-thirds of the gain came from first-time consolidations and currency effects, most of the balance was due to strong demand for pharmaceuticals.

Meanwhile, German pharmaceutical sales recovered from last year's depression, attributed mainly to government-imposed price cuts and health spending curbs.

The company reported good earnings from Roussel Uclaf in France and SGL Carbon.

KPN beats expectations with 17% gain

By Ronald van de Krol in Amsterdam

Koninklijke PTT Nederland, the Dutch telecommunications and postal group which was partly privatised in June, posted a rise of nearly 17 per cent in first-half net profit, exceeding analysts' expectations.

The company predicted a large increase in full-year profit, based on the results for the first six months.

First-half net profit increased to Fl 1.02bn ($583m) from Fl 873m a year earlier, on turnover up 7.1 per cent at Fl 9.09bn. Analysts' forecasts had called for net earnings of between Fl 925m and Fl 995m.

KPN said volume sales achieved by PTT Post, its postal arm, had exceeded expectations, reflecting increases in both domestic and international mail. Operating profit rose by slightly more than 25 per cent to Fl 263m.

The postal subsidiary, which is active in third-party mail handling in other parts of the world, is seen as a possible model for other countries contemplating the privatisation of their postal authorities.

PTT Telecom, the group's telecommunications subsidiary and its largest single business, posted a 9.4 per cent increase in turnover and a 4.8 per cent rise in operating profit to Fl 1.51bn.

KPN's interim dividend has been fixed at Fl 0.80, in line with a forecast published in the share prospectus in June.

The government's sale of a 30 per cent stake in KPN raised nearly Fl 7bn, making it the biggest bourse flotation in Dutch history. It is due to be followed by a second tranche of shares by the end of 1997.

The first-half figures were released after the close of bourse trading in Amsterdam, where KPN's shares closed at a new high of Fl 51.80. They had been floated at Fl 49.75, with private investors receiving a discount of Fl 2.50 on the first 75 shares.

German shipbuilder sees surplus

By Michael Lindemann in Bonn

Bremer Vulkan, Germany's biggest shipbuilding group, yesterday forecast double-digit profits for the full year, following a DM191m ($119m) loss last time.

The Bremen-based company said orders in the first six months had risen 32 per cent over the same period a year earlier, to DM2.9bn, with enough work to last until mid-1996.

Bremer Vulkan said earlier this year it hoped to restart dividend payments in 1995.

The group reported a DM3.8m loss for the first six months, compared with a profit of DM22m in the same period the year before.

The restructuring measures and redundancies begun in the second half of last year were beginning to take effect, it said.

About 2,600 workers lost their jobs in the first six months and a further 1,300 are due to go before the end of the year, bringing the group's workforce down to 24,000.

Helped by the first-time consolidation of several new subsidiaries, turnover jumped 21 per cent in the first six months to DM3.16bn.

Excluding the consolidation of the shipbuilding activities at the east German dock of Stralsund and other companies in the east German port of Rostock, turnover rose 2 per cent.

Shipbuilding still makes up about 40 per cent of group turnover but the company is expanding its electronics, industrial and trading divisions.

NEWS IN BRIEF

Alitalia may use third-party carriers

Alitalia, the loss-making state airline, said it might use third-party carriers on some of its routes as part of a plan to make the group more cost-efficient. Reuter reports from Rome.

"Alitalia's strategy includes the search for solutions including the use of a subsidiary company which would allow routes to be used at lower costs without losing market share," the company said.

But Alitalia denied a report in a newspaper that it had presented a plan to sell 10 per cent of its long-range routes to Air Europe, a charter airline in which it owns 27 per cent.

Electricity company shares in record rise

Shares in most UK regional electricity companies rose to record levels yesterday after Crawley-based Seeboard joined the companies to buy back their own shares, writes Michael Smith in London.

The companies have now seen their market values rise 16 per cent on average in the two weeks since the industry regulator announced a pricing regime generally regarded as favourable for the industry.

Yesterday's rises alone added $460m ($713m) to the companies' market values, taking the total to more than £17bn. Analysts predicted further increases both immediately and in the long term.

Some analysts said that there could be falls for a short period after mid-October when share buy-backs will be ruled out in the run-up to before the companies' annual results season.

However, others believe an expected announcement in October on the National Grid, which the companies are likely to float on the stock market next spring, could keep share prices high.

Seeboard is the second of the companies, after Eastern, to buy back its own shares, but the first to do so since the regulator announced his pricing review. It made the purchases on Tuesday, paying 425p for 2m of its 257m shares in issue.

Like seven other regional companies Seeboard's shares, at 438p, up 17p, were at a record high last night.

All the regional companies have powers to buy back shares, mostly for up to 10 per cent of their equity, and all are well equipped financially to do so. Buying back shares will boost earnings per share and the potential to increase dividend payments.

Lex, Page 12

W.H. Smith buoyant

W. H. Smith, the UK retailing group, said it was confident it could withstand the possible removal of the net book agreement - which keeps book prices at fixed levels in the UK - as it reported a fall in full-year profits before tax £83.4m, ($129.3m) from £113.8m, writes Neil Buckley in London.

Exceptional costs of £36.6m for rationalisation of Do It All, the DIY joint venture with Boots, dented an otherwise encouraging performance.

Adding those costs back, with £6m costs for restructuring W.H. Smith - offset by £1.2m profits on disposals - underlying pre-tax profits were up 13 per cent at £124.8m.

Bang & Olufsen posts record annual profit

By Hilary Barnes in Copenhagen

Bang & Olufsen, the Danish television and audio products manufacturer, reported its best year in the 12 months to May 31. Net profits of DKr90m ($14.1m) compared with a loss of DKr60m in the previous year.

Sales increased 13 per cent to DKr2.40bn from DKr2.12bn. The result after net financial costs of DKr24m was a profit of DKr132m compared with a loss of DKr38m last year.

The board proposed a DKr10-per-share dividend, the first to be paid for four years.

Cash flow increased to DKr640m from DKr97m. There was a return on equity capital of 13 per cent after negative returns in each of the past three years.

The preliminary statement said the improved performance was in spite of a generally weak market in audio-visual products.

Hagemeyer may lift share capital

Hagemeyer, the Dutch-based marketing and distribution group, said yesterday it may expand its share capital by roughly 5 per cent later this year, writes Ronald van de Krol in Amsterdam. However, it stressed that a joint venture in the Asia Pacific region with Cosa Liebermann of Switzerland would lift profit per share.

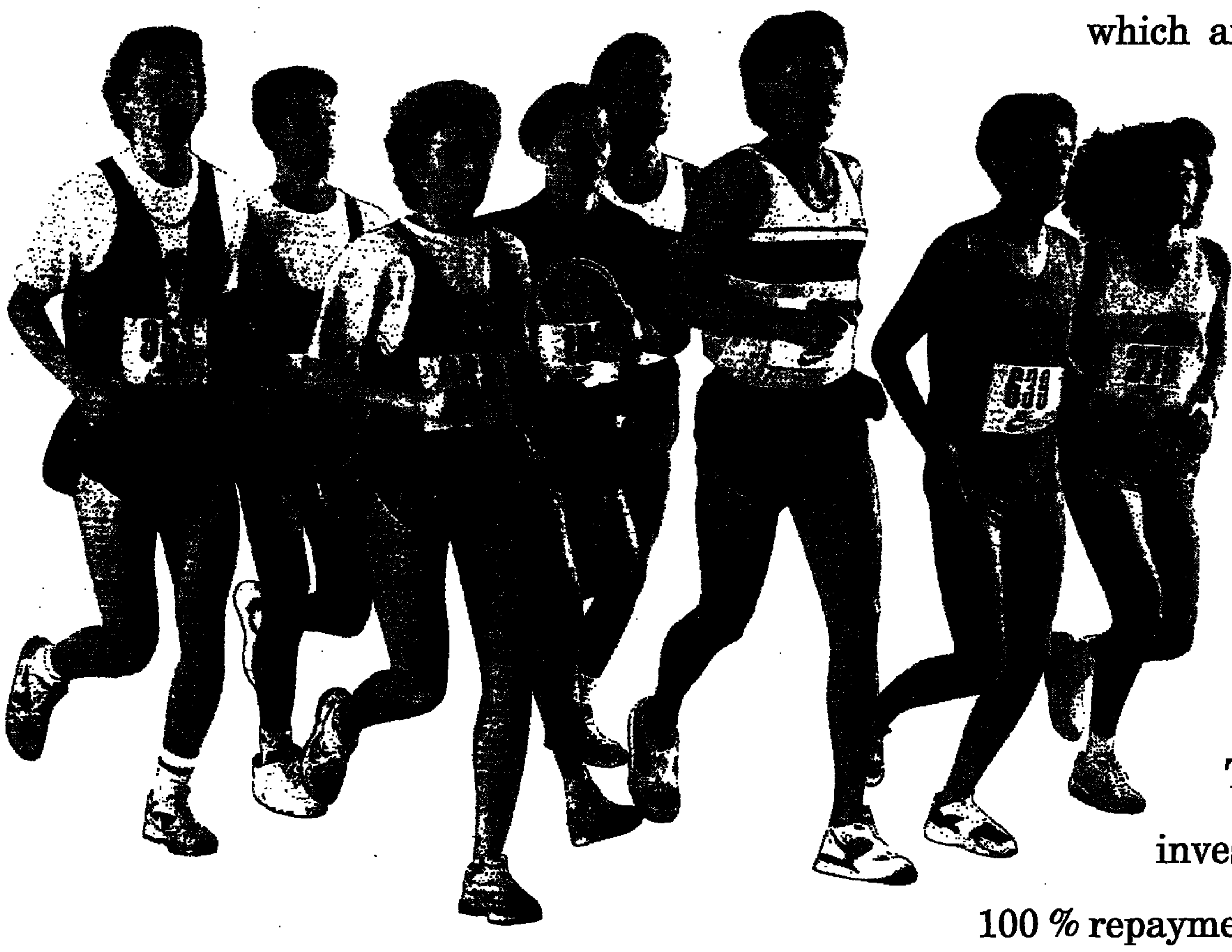
The company released first-half figures showing net profit up strongly at Fl 141m ($80.6m) from Fl 50.6m a year earlier. The figures, in line with forecasts, include Fl 80.9m in after-tax extraordinary gains.

هكذا من الاصل

THE GERMAN PFANDBRIEF

SOLID VALUE FROM THE GROUND UP

The last thing many investors want is to get adventurous about current fads and exotic markets. If safety, yield, a stable currency and long-term value are your priorities, consider Germany's Pfandbrief system. Pfandbriefe in Germany are bonds issued to refinance mortgages or public loans, a time-tested idea that dates back more than two centuries. In line with the Mortgage Bank Act of 1900, these bonds – which are secured by mortgages or by public-sector loans – can only be issued by specially authorized banks which are fully liable for each issue. They must carry backing of separate funds with at least matching yields and maturities. And all Pfandbrief issues are monitored by a state-appointed trustee.



The bottom line on safety? No investor has ever failed to receive 100 % repayment on a German Pfandbrief held to maturity. The legal framework surrounding Pfandbriefe has an unsurpassed record for endurance, offering investors a fixed-interest D-Mark instrument of quality – plus yields generally higher than German Treasury bonds (Bunds). Sound reasons why Pfandbriefe, at nearly DM 1 trillion at year-end 1993, amounted to 40 % of Germany's entire bond market.

German Pfandbriefe are officially quoted on German stock exchanges. Issuers actively maintain a well-functioning secondary market.

THE SYSTEM IS UNBEATABLE IN THE LONG RUN.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 23.08.94: Pool purchase price £/MWh	Final Prices for Trading on 30.07.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	13.30	10.50	10.50
0100	10.73	9.61	9.61
0130	10.73	9.61	9.61
0200	10.73	9.61	9.61
0230	10.73	9.61	9.61
0300	10.73	9.67	9.61
0330	10.73	9.61	9.61
0400	10.73	9.61	9.61
0430	10.73	9.61	9.61
0500	10.73	9.61	9.61
0530	10.55	9.61	9.87
0600	10.45	9.61	9.61
0630	11.05	9.61	9.61
0700	16.50	10.40	10.40
0730	17.89	16.79	19.31
0800	17.85	17.21	19.72
0830	17.67	17.30	19.81
0900	18.18	17.67	20.38
0930	19.09	20.05	22.57
1000	31.33	20.05	22.57
1030	19.14	20.06	22.58
1100	19.19	20.06	22.58
1130	19.81	20.07	22.60
1200	31.63	20.08	22.61
1230	31.61	20.08	22.61
1300	19.24	20.07	22.60
1330	19.08	20.05	22.57
1400	18.19	19.00	21.51
1430	17.70	18.23	20.75
1500	18.16	17.86	20.36
1530	18.15	17.86	20.36
1600	18.17	17.30	19.82
1630	18.19	17.30	19.82
1700	18.21	17.30	19.82
1730	18.18	17.30	19.82
1800	18.15	17.22	19.73
1830	17.68	17.30	19.81
1900	16.52	17.22	19.73
1930	16.52	17.22	19.73
2000	12.95	16.96	19.47
2030	16.52	16.63	19.15
2100	28.66	16.95	19.47
2130	28.66	32.97	35.48
2200	28.66	32.97	35.48
2230	22.36	32.97	35.48
2300	18.40	20.01	22.52
2330	15.80	20.01	22.52
2400	15.60	14.46	16.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.66/MWh becomes 1.866p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND FINANCE

Sandvik and Atlas Copco ahead on higher volumes

By Christopher Brown-Humes in Stockholm

Two of Sweden's leading engineering groups, Sandvik and Atlas Copco, yesterday announced better-than-expected first-half figures on the back of a sharp upturn in volumes.

Both companies highlighted better demand from the automotive sector but noted continuing weakness in the mining and construction sectors.

Buoyed by an improving economic climate in Europe, they forecast full-year earnings "significantly better" than in 1993.

Sandvik saw its result jump 53 per cent to SKr1.48bn ($194m) while Atlas Copco, the Wallenberg-sphere industrial components group, lifted profits by 29 per cent to SKr852m.

Sandvik said currencies accounted for just three percentage points of a 12 per cent rise in sales to SKr11.99bn. The group's order intake was 18 per cent higher at SKr13.4bn.

All four divisions posted improved results. Higher volumes and good productivity lifted cemented carbide division profits by 50 per cent to SKr962m. The steel division, where profits rose to SKr376m from SKr231m, benefited from higher capacity utilisation.

The group said strong demand from the automotive and engineering industries contrasted with a difficult market for sales to the mining, construction, chemical and energy sectors.

Atlas Copco said it was at last seeing an extensive investment programme pay off due to rising volumes and better utilisation rates. But while there was a clear improvement in its compressor and industrial technique divisions, profits fell within the compressor and mining business.

A combination of higher volumes, currency effects, acquisitions and price increases helped lift invoiced sales by 12 per cent to SKr10bn, while the order intake expanded by 14 per cent to SKr10.7bn. The volume increase was greater for orders than for sales, the group said, noting a clear break with the trend which took volumes down by 25 per cent between 1990 and 1993.

Industrial technique benefited from a turnround in the automobile industry, with profits rising to SKr203m from SKr138m. Profits in compressor technique were also higher, advancing to SKr646m from SKr466m, helped by a SKr700m investment programme at an Antwerp plant.

But compressor and mining technique profits dropped from SKr86m to SKr62m after being depressed by a drop in volumes and restructuring costs.

Sandvik said yesterday it had acquired more than 50 per cent of the shares in Russia's largest cemented carbide company, Moskovskij Kombinat Tverdih Splavov (MKTS), writes Christopher Brown-Humes.

The move, which builds on a 20-year co-operation between the two companies, is designed to boost Sandvik in an important market, said Mr Clas Ake Hedström, chief executive.

He said: "Russian industry, as well as industry in the other countries of central and eastern Europe, is on the verge of a comprehensive modernisation of metal-cutting machining." The group intends to increase its ownership stake further.

Moscow-based MKTS has 1,200 employees and annual sales of SKr200m ($26.33m) spread throughout the Commonwealth of Independent States. It manufactures and markets cemented carbide for machining tools, rock-drilling tips and wear parts.

NRMA sees A$215m profits

By Nikki Tait in Sydney

NRMA, Australia's largest motorists' organisation and one of its biggest general insurers, yesterday forecast that it would make after-tax profits of A$215m (US$158m) in the year to end-June 1995.

This would represent a sharp turnround from the A$129m scored in the year just ended, although realised losses of A$128m in 1993-94 were abnormally high and depressed the result. In 1992-93 and 1991-92, NRMA's net profits were A$248m and A$261m respectively.

The NRMA made the forecast in its flotation prospectus. The group's board approved a plan to "demutualise" the company earlier this month.

Row over control of McCain Foods flares up

By Robert Gibbens in Montreal

The two-year feud for management control of family-owned McCain Foods, the international frozen foods group, has flared up again.

Mr Wallace McCain, 64, co-chief executive with his brother Harrison, 66, has proposed ending their dispute over succession by taking the company public and bringing in an outsider to lead it.

But McCain Foods' chairman, Mr Andrew McCain, said the board would come up with its own proposal for the succession on September 13. It opposes the plan to go public.

McCain Foods has C$3bn (US$2.1bn) in annual sales and is highly profitable. The proceeds of a public issue would be used to expand the business internationally and enable a dividend to be paid, Mr Wallace McCain said.

The company is 100 per cent controlled by several generations of the McCain family.

Four outside directors would be appointed, while the board would include the two brothers and the new chief executive.

Last April a New Brunswick judge arbitrated the dispute between the brothers and suggested ways to resolve it, including going public and appointing an outsider as chief executive.

Mr Wallace and Mr Harrison McCain support different members of the family to succeed them.

Ralph Lauren

Ralph Lauren sells stake to fund expansion

By Bronwen Maddox in New York

Mr Ralph Lauren, designer of clothes which have come to symbolise a clean-cut, well-bred way of American life, has sold 28 per cent of his company to Goldman Sachs, the investment bank, for $135m.

It is the first time that the designer and his business partner, Mr Peter Strom, have turned to outside capital to fund expansion. Mr Lauren is also expected to take some cash out of the transaction.

New York-based Polo Ralph Lauren, Mr Lauren's company, earns revenues of some $3.9bn a year from men's leisure clothes, shirts and ties, as well as from licensing fragrances, furniture and interior decoration under Ralph Lauren labels.

Goldman, which has advised Polo Ralph Lauren for six years, describes the stake as a "passive" and "long-term" investment.

It holds the shares in its affiliate GS Capital Partners, a $1bn investment fund started in 1992, owned 30 per cent by Goldman and 70 per cent by its clients.

Goldman's investment leaves Mr Lauren with 65 per cent of the company, down from 90 per cent, and Mr Strom with 7 per cent, down from 10 per cent.

Mr Lauren, who is 54, and Mr Strom, who is 65, have said that they will continue to participate actively in running the company.

See Observer

Mercedes-Benz to buy VW engines

By Kevin Done, Motor Industry Correspondent

Mercedes-Benz, the German maker of luxury and executive cars, is to buy engines from Volkswagen for use in a future passenger vehicle.

It is the first time that Mercedes-Benz will have fitted another manufacturer's engines in one of its mainstream passenger vehicles, and is an important sign of its new readiness to develop alliances with other vehicle producers.

The deal marks the second significant collaboration this year between two of Europe's biggest vehicle makers. In April VW agreed to license technology from Mercedes-Benz for the development of a new range of light commercial vehicles.

Mercedes-Benz said yesterday that it is to purchase VW's VR6 engines and automatic gearboxes for use in its planned range of multi-purpose vehicles (MPVs), which are expected to be launched in early 1996.

The new vehicle, to be named the Viano, will take Mercedes-Benz for the first time into one of the fastest growing segments of the European car market.

The Viano will compete with established rivals such as the Renault Espace and new vehicles that are being launched by Peugeot, Fiat, Ford and VW itself.

Mercedes-Benz said that engine and gearbox purchases from VW were expected to total around DM50m ($31.8m) a year.

The Viano will be produced at the Mercedes-Benz plant at Vitoria, Spain, with a capacity of up to 25,000 units a year.

Under the licensing deal announced earlier this year VW is to use Mercedes-Benz technology to develop a successor for its ageing LT range of heavy vans.

Mercedes-Benz will also supply VW with components for the van, including steering gear, transmissions and axles worth around DM250m a year.

Both deals represent part of the important consolidation taking place in the European vehicle industry, as makers seek to cut costs and reduce development times for new products.

Blockbuster approves merger with Viacom

By Patrick Harverson in New York

The board of US video retailer Blockbuster Entertainment has approved the merger of the company with Viacom, the entertainments group.

The decision ends months of uncertainty over the planned $8.4bn union, which was conceived in January as part of Viacom's $10bn takeover of Paramount Communications.

At the time, the structure of the stock-swap deal would have given Blockbuster stockholders $31.50 a share.

However, a subsequent sharp drop in the value of Viacom stock – which was plagued by concerns about how the group would pay off the more than $9bn in debt that it took on to acquire Paramount – drastically cut the value of the deal for Blockbuster stockholders.

Instead of $31.50 a share, at one point they were faced with accepting only $21.75 a share, and it was not long before Mr Wayne Huizenga, Blockbuster chairman, and other leading stockholders began to have second thoughts about the merger.

By May the deal looked dead, but a gradual recovery in Viacom's share price over the summer (buoyed partly by the impressive performance of Paramount-produced films at the box office) breathed new life into the merger, and late on Tuesday Blockbuster's board approved the transaction.

The company's stockholders will now receive about $29 for each share.

Shares in Viacom fell $1[illegible] to $38[illegible] while Blockbuster dropped $1[illegible] to $26[illegible] before the close in New York yesterday.

INTERNATIONAL COMPANIES AND FINANCE

Higher advertising revenues lift Fairfax

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper publisher in which three media magnates - Mr Kerry Packer, Mr Rupert Murdoch and Mr Conrad Black - hold stakes, nearly doubled its profits in the year to the end of June, to A$110.7m (US$81.4m), it revealed yesterday.

The figure, which is reached after tax but before abnormal items, compares with A$67.1m in the previous year.

Revenues rose by 9.8 per cent to A$845.8m, and earnings per share (on a fully-diluted basis) totalled 13.99 cents, against 9.01 cents previously.

Below the line, Fairfax also enjoyed a A$75.2m abnormal tax benefit, taking attributable profits to A$185.7m, up from A$67.2m a year earlier.

The group is raising its final dividend to 5 cents a share from 4.5 cents, making a total for the year of 7.5 cents.

Fairfax, which publishes the Sydney Morning Herald, Melbourne Age and Financial Review, said that it had seen increased advertising volumes and revenues, although it also attributed the improvement to productivity and efficiency gains.

Classified advertising volumes were up by 9.7 per cent at the Herald and 10.9 per cent at the Age, while display ad volumes rose by 10.6 and 3.8 per cent respectively. Advertising volumes at the Financial Review were "steady".

Operating costs increased by 6.8 per cent, but the company said that this was mainly due to promotional activities, new operations and higher newsprint costs. With these items excluded, it said that the rise would have been 3.6 per cent.

Fairfax also benefited from lower interest charges, down from A$54m to A$37m.

The company added that it was "pleased with the results to date in the 1995 trading year". The company has been the focus of much speculation recently, because of its potentially unstable share register.

Canadian Mr Conrad Black holds almost 25 per cent of the shares, but is barred from going higher under Australia's restriction of foreign ownership of print media assets. Mr Packer has just under 15 per cent, but is also pegged at this level because of media cross-ownership rules. Mr Murdoch appeared on the share register in June and is thought to hold around 2 per cent of the shares.

● Mr Tony O'Reilly's Australian Provincial Newspapers, a regional newspaper publisher operating mainly in Queensland and New South Wales, yesterday reported profits after tax and abnormals of A$8.11m in the half-year to end-June, an increase of 25.3 per cent over the same period of the previous year. Sales rose by one-third to A$89.7m.

Pioneer advances to A$152m for year

By Nikki Tait

Pioneer, the Australian-based building materials and petroleum refining group, yesterday announced a A$152.3m (US$111.90m) profit after tax and abnormal items for the year to the end of on sales of A$5.62bn.

The figure contrasts with A$136.6m in the previous year, when sales were A$5.24bn, but comparisons are muddied by abnormal items and asset sales.

The company took a A$99.8m charge in the latest year to cover asset write-downs and rationalisation costs which followed a group-wide review of the company's position.

This was partly offset by profits from the sale of two significant assets, leaving the net abnormal charge at A$37.9m. In the previous year there was an abnormal surplus of A$11.4m.

Pioneer said that operating profit, before interest charges, improved to A$371.1m from A$312m.

The upturn came entirely from the building materials interests, which span Europe, the US and Asia, as well as Australia.

These made an operating profit of A$272.3m, compared with A$149.2m last time.

Pioneer said that product volumes had increased slightly, and market conditions improved in most areas.

It added that the increase was driven by increased efficiencies.

On the petroleum refining and marketing side, it reported a fall in operating profits from A$194.1m to A$143.8m.

This was due to retail discounting and weak refining margins.

However Mr John Schubert, who took over as managing director last year, said that he expected some improvement on both fronts this year, as economic conditions continued to improve and refining margins edged higher.

Earnings per share after abnormals were 17.3 cents, up from 15.7 cents.

Seoul curbs overseas bond issues

By John Burton in Seoul

South Korea's finance ministry will ban companies from issuing convertible bonds and other securities in foreign capital markets in the fourth quarter of this year.

The ministry said the decision was meant to prevent inflationary pressure caused by an inflow of foreign capital, with the government worried that inflation will exceed this year's target of 6 per cent. It added that its ceiling of $1.25bn on overseas bond issues for 1994 had already been reached.

South Korean companies have been eager to tap foreign capital markets to finance an expansion in industrial facilities being taken in response to an export boom.

At least 21 companies have applied to the Korea Securities Dealers' Association to issue overseas bonds during the fourth quarter.

They were hoping to take advantage of improved financial conditions resulting from a possible solution to the North Korean nuclear dispute.

The ministry had initially proposed to exempt Pohang Iron and Steel (Posco) from the ban on bond issues. But it decided to impose the restrictions after protests from other companies.

Posco planned to issue $200m in American Depositary Receipts this year as a step to seeking a listing on the New York Stock Exchange, the first for a South Korean company.

BHP acts on Beswick shareholding

By Nikki Tait

Broken Hill Proprietary, Australia's largest company, yesterday moved to quell unease among some of its institutional shareholders over the group's share structure.

It said that the 18.2 per cent stake in BHP which is held by Beswick, a company in which BHP owns a half-share, would in future be voted by an independent trustee.

The Beswick board, however, would still be able to decide whether the tranche of shares should be voted at all.

The complex Beswick situation dates back to the late 1980s, when BHP was the subject of takeover efforts by Mr John Elliott and the late Robert Holmes á Court.

Peace was finally declared in 1988, and it was agreed that Beswick would house the stake which Mr Elliott had acquired in BHP. Beswick, in turn, would be owned jointly by Mr Elliott's Elders IXL (which later became Foster's Brewing) and BHP.

It was obvious in 1988 that the circularity of the structure might mean that BHP was able to influence the voting of the Beswick shares - a potentially undesirable situation.

ANZ Executors & Trustee Company was therefore given a tiny share stake in Beswick. Many shareholders, voting on the arrangement in 1988, assumed that the trustee held responsibility for voting the entire Beswick holding in "the best interests of BHP as a whole in a manner which promotes or enhances the continued long-term development of BHP as a significant independent Australian and international company".

However, over the past six years, the Beswick board - which is made up of one representative from BHP, one from Foster's and three independents - has tended to vote the stake, or simply given its proxy to BHP's chairman, and the trustee's role has been minimal.

This situation has prompted persistent shareholder complaints.

Earlier this year, for example, the Australian Shareholders' Association called for the holding either to be converted to non-voting status or for the trustee's role to be enforced.

The new procedures, which were announced yesterday, state that the decision of how the Beswick shares are voted will be left to ANZ Executors unless the Beswick board resolves that the stock should not be voted at all.

In each specific case, Beswick directors will seek a written statement from the trustee setting out its voting intention, and this will be announced to the stock exchange.

Some shareholders have also questioned if the entire Beswick structure - adopted to prevent two major blocks of shares hitting the market at the same time -could be dismantled and the shares distributed.

However, BHP has said that this would incur a large tax liability..

NEWS DIGEST

Redundancy payouts affect Caltex results

By Nikki Tait

Caltex Australia, which is part of the Texas-based Caltex group although quoted separately on the Australian Stock Exchange, announced a 44.3 per cent fall in first-half profits, to end-June.

After-tax profits were A$19.8m, (US$14.5m), on sales of A$1.66bn, compared with A$35.5m on revenues of A$1.71bn a year ago.

The most recent six-month figure was reached after a $10.5m abnormal item. There were no abnormal charges in the previous year, but the figures benefited from a A$6.37m tax adjustment gain. Earnings per share were 10.98 cents, compared with 19.71 cents previously.

Caltex, which operates more than 1,000 service stations, said that the abnormal charge related to redundancy costs at its Kurnell refineries, which would be recovered in two years.

It added that competition in the Australian retail petrol market had intensified "dramatically" in the first quarter of the year, and that market growth in 1994 had been "basically flat" for petrol, with diesel fuels expanding 3 per cent.

Goodwyn gas site insurance settled

Woodside Petroleum, the Australian oil and gas company, announced yesterday that the partners in Western Australia's North West Shelf gas project had settled an insurance claim for repairs to the foundation piles for A$280m (US$205m). This is A$40m below the actual remedial expenses, put at A$320m, before allowing for the cost of delays.

The problem arose two years ago when piles being driven into the seabed underneath the Goodwyn gas and condensate production platform buckled. The insurance money returned, and the remaining costs, will be shared equally between the six partners, Woodside, BHP, BP, Chevron, Japan Australia LNG (MIMI), and Shell.

C&A to join GPCC project

Coal & Allied Industries, which is part of the large CRA resources group, has signed a letter of intent with China's Guangdong Provincial Coal Corporation, stating that the two companies "will work towards co-operating in a coal project" in New South Wales.

C&A said that GPCC was seeking a long-term coal supply contract from C&A, primarily through a joint-held project in the region.

INTERNATIONAL CAPITAL MARKETS

US traders cautious ahead of auction

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds gave back most of their early gains yesterday morning, as concerns over an afternoon supply auction offset the market's initial reaction to a favourable economic reading.

By midday, the benchmark 30-year government bond was up $\frac{5}{32}$ at $99\frac{23}{32}$, with the yield slipping to 7.517 per cent. At the short end, the two-year note was $\frac{1}{32}$ better at $100\frac{1}{32}$, to yield 6.217 per cent.

Bonds jumped ahead in the early hours on news from the commerce department that factory orders of durable goods had plunged 4.2 per cent in July. Analysts were forecasting a slight increase, so the data came as a pleasant surprise to traders anxious about any sign of economic acceleration, which could erode the value of fixed-rate investments.

However, their enthusiasm was short-lived. Closer examination of the report revealed that the unexpected weakness had stemmed primarily from a massive 15.8 per cent drop in aircraft orders, and a seasonal shutdown of automotive plants. Excluding the volatile transportation component, the decline, at 0.3 per cent, was relatively tame.

GOVERNMENT BONDS

After the market had time to digest the implications of the report, bond prices receded to just above their opening values, even though a steady dollar was providing additional support.

The cautious mood reflected uncertainty over the outcome of the Treasury's sale of $11bn in five-year notes later in the day.

Although Tuesday's auction of $17.25bn in two-year notes had drawn much better demand than anticipated, doubts continued to surround yesterday's operation, which was expected to generate less interest among individual investors.

The unexpected fall in US durable goods orders for July caused European government bond markets to jump, but the rally was short-lived as profit-taking set in almost immediately.

Analysts said it would have been dangerous for the markets to have read too much into the fall, given the notorious volatility of this series. "The market shot up and then came back," said Mr Adam Chester, international bond strategist at Yamaichi. He said the fall in the data did not call for a reassessment of the Federal Reserve's position on inflation.

The other main economic news of the day was the release of cost-of-living data for August from two of Germany's most populous states. North Rhine-Westphalia reported that prices were up 0.1 per cent in August for a yearly increase of 2.8 per cent. Prices in Baden-Wuerttemberg rose 0.2 per cent for an annual 3.1 per cent increase.

Although the market is still waiting for data from other states, analysts said it was more than likely that the national figure would be at least 3 per cent. Even though the yearly rate should fall below 3 per cent later in the year, it was inevitable that the downward progress on the inflation front was slowing, now that the economy was picking up steam, they added. "It is a swift reminder that the interest rate cycle is turning," said Mr Kit Juckes, international economist at S.G. Warburg.

On Liffe, the September bund future ended almost unchanged on the day, down just 0.02 point at 91.41, well off the day's low of 91.60.

Sterling's recovery against the D-Mark helped to underpin the UK gilts market, though trading remained thin. On Liffe, the September long gilt future stood $\frac{1}{8}$ point higher at $100\frac{27}{32}$ in late trading.

The recent stream of better-than-expected inflation and wage data has prompted Kleinwort Benson to cut its 10-year gilt yield projection for year-end from 9.25 per cent to 8.5 per cent.

"We are looking for gilts to outperform bunds and Treasuries from now until the end of the year," said Mr Julian Callow, European economist at Kleinwort Benson.

He also noted that index-linked yields were now close to their 10-year average of 3.8 per cent, and probably did not have much further to fall. "As a result, we would suggest a switch out of index-linked into conventional gilts," he said.

Report identifies risks of OTC regulatory loophole

As the market in equity derivatives grows, problems may arise from the sector's regulatory framework - or rather, lack thereof.

These risks were highlighted in a recent report on the role of derivatives in Europe's securities markets, commissioned by the International Securities Market Association (ISMA).

The report points to a regulatory imbalance between cash and OTC derivatives markets which has created an arbitrage opportunity allowing market participants to beat regulatory barriers in the cash markets by moving into the OTC sector. The report also draws attention to the fact that traders can use equity derivatives to circumvent restrictions on insider dealing and foreign shareholdings.

In the past, equity transactions in the cash market were reported to stock exchange authorities. However, due to the growing activity in OTC equity derivatives, deals are increasingly reported to banking authorities, the study explains. This is because a high proportion of large, medium-term OTC transactions are traded by banks which have the necessary balance sheet strength, rather than by securities houses.

The data reported to banking authorities tend to be aggregated, and banking supervisors, whose primary concern is prudential supervision, generally do not obtain information about individual transactions.

As a result, stock exchange authorities in many countries appear to be in the dark about OTC derivative trades on the shares they supervise.

"Given that some banks [surveyed] indicated a willingness to trade OTC derivatives of up to 5 per cent of a company's capitalisation in a single transaction, we feel this is a significant gap in information flow which needs to be addressed," the report's authors state.

The result of the OTC/stock exchange divide is that the absence of reporting requirements in the OTC market provides an obvious incentive to channel transactions that might otherwise be handled in the cash market, and caught by reporting requirements there, into the OTC market, they add.

DERIVATIVES

"While we do not support regulation for regulation's sake, neither do we feel that regulatory arbitrage is desirable. For this practical reason, we feel that reporting requirements in the cash equity markets and in the OTC derivatives markets should be made parallel."

They add that "if one market is regulated more tightly than the other, the effect will simply be to drive transactions into the other market".

Any shift of business from the cash to the OTC market bears the risk of reducing cash market transparency for equity investors. Moreover, imposing tight regulations on the cash markets, in which smaller firms can trade fairly freely, but leaving the OTC market entirely unregulated "results in a regulatory tilt in favour of the large global firms which are able to use the OTC markets in a manner not available to smaller firms", the report warns.

These worries are not shared by all market participants. "OTC deals are private transactions: I don't think it would be appropriate to regulate every transaction occurring between two private counterparties - that would prevent a lot of good financial transactions from occurring," says one derivatives specialist at a large international bank.

The report also points to other ways - outside the OTC market - in which equity derivatives can allow traders to escape the regulators' attention.

Derivatives can be used, for example, to execute insider trades without dealing in either the share or a direct derivative of the share. According to the study, this appears to have occurred on at least one occasion through a technique called "mirror" trading, where a dealer buys a derivative on an index or a basket of shares and sells short the components he doesn't want.

If, for example, a dealer has inside information on a particular French company included in the CAC-40 stock index, he could buy the CAC-40 future and sell short the 39 other shares in the index, leaving him with a net exposure to only the target share - the equivalent of having a position in the underlying shares.

In markets where an index future covers a large number of shares, an alternative might be to buy a basket warrant covering a limited group of shares including the target share and run short positions in the remaining shares.

In both cases, it would be hard for investigators to prove that insider trading has taken place.

Moreover, if regulators were to search for suspicious trading patterns in a given equity, this type of trade would not necessarily appear on their checklists.

Conner Middelmann

Further delay for Lebanese debut

By Tracy Corrigan

Lebanon's debut eurobond offering is now planned for late September, after being delayed twice in the last year due to adverse market conditions, particularly for emerging market borrowers.

INTERNATIONAL BONDS

The offering, now expected to raise $150m rather than the $300m originally planned, will be preceded by a series of investor presentations. The mandate for the deal has been awarded to Merrill Lynch.

Dealers said there had been no real price talk for the issue, and the maturity date had yet to be decided.

However, the deal is expected to short-dated, and price talk earlier in the year suggested that the deal would be in the region of 350 basis points over the comparable US Treasury yield.

"The message on Lebanon is fairly positive," said one syndicate manager. "Things have turned around pretty quickly there, and the economic numbers are looking good."

However, Middle Eastern countries do not have a history of borrowing in the eurobond market, and investors are likely to require extensive briefings on the economic outlook for the country. Further, some investors will be unable to participate in the deal because the country has no credit rating.

However, dealers said that Lebanese flight capital held in Switzerland was likely to be invested in the paper, and such investors would not be concerned by the lack of a rating.

Elsewhere, dealers are still expecting Japan Highway's $500m government-guaranteed 10-year deal to be launched before this weekend.

The market will then brace itself for a slew of Japanese issue from the likes of Metropolis of Tokyo, the Japan Development Bank and the City of Kobe.

Yesterday, General Electric Capital Corporation and the Council of Europe each launched offerings in the eurolira sector totalling L150bn.

The high 11⅛ per cent coupon on GECC's three-year deal proved attractive to retail investors, who will hold the bonds until maturity, and so are not necessarily concerned about interest rate volatility in the Italian market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Persero, HK Branch‡	148	(a)	100.00	Oct.2001	variable	-	Sakura Finance Asia
Unibanco, Gd Cayman Branch	60	10.00#	100.00R	Sep.1996	0.6875R	+375(6¼%-96)	Swiss Bank Corp.
CANADIAN DOLLARS							
Kingdom of Sweden(b)	75	8.25	98.42R	Dec.1999	0.25R	+10(7¾%-99)	Daiwa Europe
ITALIAN LIRE							
General Electric Capital Corp.	150bn	11.50	101.025	Sep.1997	1.375	-	JP Morgan Securities
Council of Europe	150bn	11.125	99.91R	Jun.1996	0.125R	-	Banca di Roma
SWISS FRANCS							
Eurofima	250	5.50	101.00	Sep.2004	undisd.	-	UBS
Sudwestdeutsche Landesbank(c)	100	5.25	102.25	Oct.1998	undisd.	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 6-mth Libor +128bp. b) Fungible with C$200m from 29/12/94. Short 1st coupon. c) Long last coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	97.6800	+0.260	9.36	9.23	9.40
Belgium		7.250	04/04	92.3500	-0.050	8.43	8.27	7.93
Canada *		6.500	06/04	85.5500	+0.350	8.73	8.79	9.39
Denmark		7.000	12/04	87.4700	-0.200	8.90	8.89	7.91
France	BTAN	8.000	05/98	102.2500	-	7.26	7.21	6.58
	OAT	5.500	04/04	84.5300	+0.040	7.84	7.73	7.30
Germany Bund		6.750	05/04	96.3600	-0.090	7.28	7.22	6.85
Italy		8.500	04/04	82.5000	+0.800	11.56†	11.66	10.76
Japan	No 119	4.800	06/99	103.4450	-0.150	3.95	4.07	3.68
		4.100	12/03	96.3610	-0.340	4.66	4.66	4.39
Netherlands		5.750	01/04	89.6000	-0.040	7.31	7.21	6.93
Spain		8.000	06/04	82.4500	-	11.01	11.10	10.48
UK Gilts		6.000	08/99	90-09	+1/32	8.43	8.31	8.26
		6.750	11/04	87-09	+1/32	8.64	8.56	8.52
		9.000	10/08	102-26	+1/32	8.65	8.58	8.61
US Treasury *		7.250	08/04	99-30	+6/32	7.26	7.13	7.33
		7.500	11/24	99-24	+2/32	7.52	7.36	7.60
ECU (French Govt)		8.000	04/04	84.3400	+0.050	8.43	8.33	7.76

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	4.54	Two year	6.23
Prime rate	7¾	Two month	4.59	Three year	6.52
Broker loan rate	5½	Three month	4.66	Five year	6.92
Fed.funds	4⅝	Six month	5.10	10-year	7.27
Fed.funds at intervention	-	One year	5.60	30-year	7.53

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.42	113.42	+0.08	113.70	113.12	152,017	118,477
Dec	112.52	112.54	+0.08	112.80	112.28	6,836	38,532
Mar	111.88	111.90	+0.08	111.88	111.80	40	3,825

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
113	0.45	-	-	0.15	2.44	-
114	0.10	1.56	1.90	0.62	-	-
115	0.01	1.12	-	1.57	-	-
116	-	0.72	-	2.54	4.20	-
117	-	0.50	-	-	-	-

Est. vol. total, Calls 19,096 Puts 36,617. Previous day's open int., Calls 381,365 Puts 374,536.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.33	91.37	-0.06	91.60	91.18	115365	129932
Dec	90.45	90.53	-0.03	90.71	90.30	10994	34192
Mar	90.00	90.03	+0.03	90.00	90.00	56	0

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9050	0.92	1.26	1.49	1.74	0.89	1.23	1.46	2.21
9100	0.66	1.01	1.22	1.53	1.13	1.48	1.69	2.50
9150	0.45	0.79	0.99	1.33	1.42	1.76	1.96	2.80

Est. vol. total, Calls 16836 Puts 7374. Previous day's open int., Calls 111192 Puts 125518

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	96.94	0.03	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.16	99.00	+0.81	99.44	98.12	54041	68502
Dec	96.57	97.33	+0.79	97.77	96.57	5865	23134
Mar	-	95.79	+0.79	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9700	2.95	3.20	2.62	4.41
9750	2.66	2.99	2.83	4.70
9800	2.40	2.79	3.07	5.00

Est. vol. total, Calls 1061 Puts 434. Previous day's open int., Calls 3037 Puts 5332

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	87.79	87.74	-0.06	87.54	87.54	44,289	97,727
Dec	86.50	86.63	-0.10	86.72	86.50	5,955	11,902

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-25	100-27	+0-02	101-01	100-15	39674	98921
Dec	100-07	100-10	+0-02	100-15	99-31	4565	15438
Mar		99-22	+0-02			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
100	2-30	3-14	2-10	3-34
101	1-61	2-49	2-41	4-05
102	1-33	2-23	3-13	4-43

Est. vol. total, Calls 1202 Puts 3262. Previous day's open int., Calls 6769 Puts 8539

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.18	81.28	+0.10	81.34	81.02	1,638	6,988
Dec	80.70	80.76	+0.14	80.82	80.66	123	506

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-12	102-15	+0-02	102-29	102-09	222,004	319,457
Dec	101-18	101-22	+0-02	102-06	101-18	13,074	118,880
Mar	100-26	101-01	+0-04	101-01	100-26	926	6,072

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	108.28	-	-	108.34	108.24	159	0
Dec	107.28	-	-	107.35	107.23	1575	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 24	Day's change %	Tue Aug 23	Accrued interest	xd adj. ytd		Low coupon yield Aug 24	Aug 23	Yr. ago	Medium coupon yield Aug 24	Aug 23	Yr. ago	High coupon yield Aug 24	Aug 23	Yr. ago
1 Up to 5 years (24)	119.37	+0.03	120.06	1.11	8.01	5 yrs	8.55	8.54	6.40	8.65	8.65	6.53	8.80	8.80	6.73
2 5-15 years (21)	138.72	+0.03	138.69	1.87	8.68	15 yrs	8.55	8.56	7.18	8.69	8.69	7.33	8.93	8.93	7.56
3 Over 15 years (9)	153.67	—	153.67	0.58	9.61	20 yrs	8.50	8.51	7.31	8.69	8.69	7.41	8.79	8.79	7.58
4 Irredeemables (6)	177.25	+0.19	176.92	3.41	7.36	Irred.†	8.60	8.61	7.49						
5 All stocks (60)	135.91	+0.02	136.18	1.40	8.72										

Index-linked							Inflation 5% Aug 24	Aug 23	Yr. ago	Inflation 10% Aug 24	Aug 23	Yr. ago
6 Up to 5 years (2)	185.66	+0.01	185.56	0.58	3.95	Up to 5 yrs	3.65	3.64	2.56	2.53	2.52	1.75
7 Over 5 years (11)	174.04	+0.22	173.65	0.74	3.46	Over 5 yrs	3.76	3.77	3.29	3.56	3.58	3.11
8 All stocks (13)	174.36	+0.20	174.01	0.72	3.49							

Debentures and Loans						5 year yield Aug 24	Aug 23	Yr. ago	15 year yield Aug 24	Aug 23	Yr. ago	25 year yield Aug 24	Aug 23	Yr. ago
9 Debs & Loans (75)	127.47	+0.29	127.10	2.10	7.40	9.68	9.72	7.81	9.62	9.65	8.19	9.56	9.59	8.32

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 24	Aug 23	Aug 22	Aug 19	Aug 18	Yr ago	High*	Low*
Govt. Secs. (UK)	91.27	91.28	91.14	91.19	91.24	101.63	107.04	90.99
Fixed Interest	108.85	108.84	108.83	108.89	109.37	123.96	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 23	Aug 22	Aug 19	Aug 18	Aug 17
Gilt Edged bargains	78.0	83.1	89.8	84.7	96.0
5-day average	86.3	85.8	84.6	83.5	90.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 24

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91½	91¾	+⅛	7.88
Alberta Province 7⅞ 98	1000	101⅞	101¾	+⅛	7.22
Austria 8½ 00	400	105	105⅜	+⅛	7.33
Bank of Tokyo 8⅜ 96	100	102⅜	102⅞	+⅛	6.72
Belgium 5½ 03	1000	85¼	85½	+⅛	7.80
BFCE 7¾ 97	150	102	102½	+⅛	6.83
British Gas 0 21	1500	10¾	11		8.55
Canada 9 96	1000	103⅝	103⅞		6.35
Cheung Kong Fin 5½ 98	500	90¼	90¾	+⅛	8.40
China 6½ 04	1000	89⅛	89⅝	-⅛	8.51
Council Europe 8 96	100	102⅜	102⅞	+⅛	6.65
Credit Foncier 9½ 99	300	108¼	108⅝		7.28
Denmark 5¾ 98	1000	96⅝	96⅞	+⅛	6.65
East Japan Railway 6⅝ 04	600	91⅜	91¾	+⅛	7.94
ECSC 8¼ 96	193	103	103⅝	+⅛	6.76
EEC 8¼ 96	100	102⅞	103⅛	+⅛	6.50
EIB 7¾ 96	250	102⅛	102½	+⅛	6.40
EIB 9¼ 97	1000	106⅝	107	+⅛	6.67
Elec de France 9 98	200	105½	106	+⅛	7.17
Eurofima 9¼ 96	100	103⅞	104⅜		6.49
Ex-Im Bank Japan 8 02	500	102	102⅜	+⅛	7.64
Export Dev Corp 9½ 98	150	107½	108		7.21
Federal Natl Mort 7.40 04	1500	99	99¼	+⅛	7.69
Finland 6¾ 97	3000	98⅝	98⅞	+⅛	6.99
Finnish Export 9⅜ 95	200	103⅜	103¾		6.26
Ford Motor Credit 6¼ 98	1500	97⅛	97½	+⅛	7.52
Gen Elec Capital 9⅜ 96	300	104½	104⅞		6.60
GMAC 9⅛ 96	200	103	103½	-⅛	6.97
Ind Bk Japan Fin 7⅞ 97	200	101⅜	102	+⅛	7.28
Inter Amer Dev 7⅞ 96	200	101⅞	102¼		6.61
Italy 6⅞ 23	3500	81⅝	82	+⅛	8.79
Japan Dev Bk 8⅜ 01	500	104¼	104⅝	+⅛	7.53
Kansai Elec Pwr 10 98	350	105	105⅜	+⅛	6.58
Korea Elec Power 6⅜ 03	1350	87	87½		8.60
LTCB Fin 8 97	200	101⅝	102⅛	+⅛	7.21
Matsushita Elec 7¼ 02	1000	97¼	97⅝	+⅛	7.87
Norway 7¼ 97	1000	101¼	101½	+⅛	6.69
Ontario 7⅜ 03	3000	97½	97¾	+⅛	7.94
Oster Kontrollbank 8½ 01	200	105	105¼	+⅛	7.49
Petro-Canada 7¼ 96	200	101	101⅜	+⅛	6.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7⅛ 97	5500	101½	101⅝		6.57
Volkswagen Intl Fin 7 03	1000	96¼	96⅝	+⅛	7.59
World Bank 0 15	2000	20¼	20½	+⅛	7.76
World Bank 5⅞ 03	3000	86⅝	[illegible]	[illegible]	[illegible]
World Bank 8¾ 00	1250	109½	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	100½	[illegible]	[illegible]	[illegible]
Austria 4½ 00	1000	96⅜	[illegible]	[illegible]	[illegible]
Council Europe 4¾ 98	250	99¼	[illegible]	[illegible]	[illegible]
Denmark 4¾ 99	1000	95⅜	[illegible]	[illegible]	[illegible]
EIB 6¾ 04	300	106	[illegible]	[illegible]	[illegible]
Elec de France 7¼ 06	100	108	[illegible]	[illegible]	[illegible]
Finland 7¼ 99	300	108½	[illegible]	[illegible]	[illegible]
Hyundai Motor Fin 8½ 97	100	106	[illegible]	[illegible]	[illegible]
Iceland 7⅜ 00	100	107	[illegible]	[illegible]	[illegible]
Kobe 6⅜ 01	240	103¾	[illegible]	[illegible]	[illegible]
Ontario 6¼ 03	400	101	[illegible]	[illegible]	[illegible]
Quebec Hydro 5 08	100	88¾	[illegible]	[illegible]	[illegible]
SNCF 7 04	450	106	[illegible]	[illegible]	[illegible]
World Bank 5 03	150	96¼	[illegible]	[illegible]	[illegible]
World Bank 7 01	600	107	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
Belgium 5 99	75000	102⅜	[illegible]	[illegible]	[illegible]
EIB 6⅝ 00	100000	110	[illegible]	[illegible]	[illegible]
Finland 6¾ 96	50000	105½	[illegible]	[illegible]	[illegible]
Inter Amer Dev 7¼ 00	30000	113⅛	[illegible]	[illegible]	[illegible]
Italy 3½ 01	300000	91⅝	[illegible]	[illegible]	[illegible]
Japan Dev Bk 5 99	100000	102⅞	[illegible]	[illegible]	[illegible]
Japan Dev Bk 6½ 01	120000	110½	[illegible]	[illegible]	[illegible]
Nippon Tel Tel 5⅞ 96	50000	105⅛	[illegible]	[illegible]	[illegible]
Norway 5⅜ 97	150000	104¼	[illegible]	[illegible]	[illegible]
SNCF 6¾ 00	30000	110⅜	[illegible]	[illegible]	[illegible]
Spain 5¾ 02	125000	105⅝	[illegible]	[illegible]	[illegible]
Sweden 4⅝ 98	150000	101⅝	[illegible]	[illegible]	[illegible]
World Bank 5¼ 02	250000	103⅝	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
Genfinance Lux 9⅛ 99 LFr	1000	108⅛	[illegible]	[illegible]	[illegible]
IKB Deut Industbk 8½ 03 LFr	3000	102	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	91½	91⅞		9.47
Alliance Leics 11⅜ 97 £	100	106⅞	108¼	-⅛	8.59
British Land 8⅞ 23 £	150	87¼	88	-½	10.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

[illegible]

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UK GILTS PRICES

[illegible]

Improved efficiency and housebuilding recovery fuel advance

Marley ahead sharply to £26m

By Andrew Taylor, Construction Correspondent

The prospect of a first dividend increase for three years was offered yesterday to shareholders of Marley, the building materials group, which announced pre-tax profits of £26m for the six months to the end of June – its best first half performance since 1989.

This compared with pre-tax profits of £13.2m during the first half of 1993.

The latest figures were inflated by a profit of £6.5m from the sale for £19.7m of Bisch Marley, the French clay tile producer.

Earnings per share before disposals rose from 3p to 4.5p. The group said it would be paying a maintained interim dividend of 2.1p.

Sir George Russell, chairman, added: "With higher profits now being achieved some increase in the final dividend for the year will be considered."

In spite of this, Marley's share price slipped 4p to 151p reflecting profit-taking and market concerns about rising polyvinyl chloride prices and slower growth in German building materials profits.

Prices of pvc – used for plastic building components – rose by about 15 per cent in the period, said Mr David Trapnell, chief executive.

First half profits had been boosted by a combination of improved efficiency and increased UK and US housebuilding, which had benefited sales and prices of bricks in the US and thermalite blocks in the UK. Concrete and clay operating profits more than trebled to £6.1m (£1.8m).

Profits from plastic plumbing, moulding and flooring products, employed later in the development cycle as buildings approached completion, remained little changed at £14.2m (£14m).

Mr Trapnell, echoing comments made yesterday by WH Smith, said it was "surprising, puzzling and disappointing" that sales for repair, maintenance and DIY work had remained very flat. These would normally be expected to rise at this stage of a recovery.

Trevor Humphries

David Trapnell: sales for repair and DIY work remained flat

Overseas profits, up from £12.1m to £13.9m, would have been higher but for a £1m reduction in South Africa, where the market had been distracted by the national elections. UK profits had increased by 81 per cent to £9.6m (£5.3m).

The company had continued to benefit from cost savings made in the early 1990s, with a further £800,000 of savings made at Marley Building Materials in the first half, said Mr Trapnell. Worldwide group operating profits had risen by 35 per cent to £28.5m.

● **COMMENT**

Marley, rightly, is reaping the benefit of its improved efficiency. Concrete and clay products traditionally do better during the early stages of a building recovery, and operating margins on continuing businesses rose by a fifth in the first half. Concerns rest more with its roof tile business, where competition has been intense, and slow progress in the repair and maintenance sector, which typically benefits the "lighter" building products. The positives, however, outweigh the negatives, and pre-tax profits of £47.5m for 1994 and £55m for 1995 would place the shares on 13.5 times and 12 times earnings respectively. The shares look fully valued given that most of Marley's virtues were already known.

Boards of utilities likened to pirates

By Nigel Clark

Directors of the privatised water and electricity supply companies were yesterday likened to pirates by Sir Anthony Beaumont-Dark, the former MP and chairman of TR High Income Trust.

"They control monopolies and give themselves huge increases in pay," he said. "They are like modern pirates pillaging their companies."

At his instigation TR High Income has adopted a policy of opposing three-year rolling contracts and "excessive rewards which appear to be unjustified by performance".

Sir Anthony added that his trust was small, but he hoped that others would follow suit. "It is the institutions which have the muscle to make sure this sort of thing is stopped."

TR High Income's assets totalled £27.8m at June 30 with its 10 largest investments including South West Water, British Gas, Northern Electricity and Southern Water. "They can all look forward to having their actions closely watched," said Sir Anthony.

He added: "What appals me most is not the rolling contracts, but directors who get huge increases despite the company making losses. And at the same time there are a lot of people who work damned hard and don't get paid anything like as much."

Sir Anthony made his comments as TR High Income Trust announced results for the half year to the end of June showing net revenue down from £825,000 to £789,000.

Earnings per share were lower at 3.11p (3.27p) reflecting reduced holdings of fixed interest securities. A second interim dividend of 1.5p (1.4p) is declared.

Net asset value per share at the end of June was 119.5p, against 144.5p at the December 31 year end and 120.9p a year earlier. The fully diluted figures were 116.4p, 137.2p and 117.5p.

Low oil prices reduce Monument to £3.4m

By Peggy Hollinger

Low oil prices hit Monument Oil & Gas, the independent explorer, which yesterday announced a 36 per cent fall in interim net profits from £5.3m to £3.4m.

Mr Tony Craven Walker, chief executive, said a 19 per cent fall in average oil prices to £10.17 a barrel was the main factor behind the 30 per cent drop in gross profits to £4.2m. Oil prices were also blamed for the 18 per cent fall in turnover to £14.1m for the six months to the end of June.

On the brighter side, Mr Craven Walker said the costs of developing Monument's 30 per cent interest in Liverpool Bay were running about 10 per cent below budget. This meant that the group was currently funding its obligations from cash resources. Liverpool Bay is expected to come on stream by December 1995.

The declining profits masked a substantial contribution from asset disposals. A net £50.5m was raised from the sale of lossmaking North Sea assets to BP and the disposal of 3.9 per cent of Liverpool Bay.

Under full-cost accounting, these gains are offset against the carrying cost of reserves in the balance sheet. As a result, Monument's depletion charge fell by 99p in the first half to £2.81 per barrel, largely due to the disposals and to a contract to sell gas in Argentina.

Mr Craven Walker said the lower depletion charge would benefit the group substantially when production began to take off next year. Production in the first half fell from 7,900 barrels of oil equivalent to 7,700 boe per day. Second-half production would also be lower, due to asset disposals.

Monument drilled seven wells in the first half, none of which was successful. Farm-outs had kept the drilling costs at £3m, Mr Craven Walker said. The group aimed to drill 17 wells in the second half, mostly overseas.

As in previous years, there is no dividend. Earnings per share fell to 0.51p (0.8p).

● **COMMENT**

Monument has set itself up nicely for a low oil price environment. Most of the high cost, low return assets have been sold, swapped or farmed out, leaving it with a strong balance sheet and exposure to interesting areas overseas. The big question is what to do now? Mr Craven Walker has long espoused the principle of crystallising value for shareholders. So far, this has been through a solid share price performance. Yet investors facing a quiet 18 months and no dividend will be asking for something more, and Monument could well deliver within the next year. The sale of a tranche of Liverpool Bay could be a taster of what is to come. Forecasts are for net profits of roughly £7m. At last night's price of 70½p, the shares appear to be up with events, at least until the future direction becomes clearer.

Purchases help EFT show 41% upturn

By James Buxton

EFT Group, the Glasgow-based asset finance company, increased pre-tax profits by 41 per cent from £881,000 to £1.24m in the first half of 1994, on revenue up 17 per cent from £3.66m to £4.28m.

Operating profits, before movements in bad debt provisions, increased 26 per cent at £1.29m. Better-than-expected contributions from acquisitions and a substantial rise in non-interest income from asset finance offset the effect of tighter lending margins on new business.

New business volumes totalled £21m, up 13 per cent. Net outstanding receivables rose 9 per cent to £58.3m.

In June, EFT raised £2.56m via a placing and open offer, having agreed £13.5m in extra banking facilities. Mr Hamish Grossart, chairman, said the two measures had substantially increased available funding and would allow the business to grow for the foreseeable future.

The group was benefiting from the improved economic background and trading since the first half. He was confident of a very good result for the year as a whole.

In the second half EFT expects to benefit from its 60 per cent share of a bonus paid to Mr Peter Stevenson, its former executive chairman who became chairman of Mackays Stores in 1990. Last year EFT rejected an offer to buy out the bonus, payable in 1994 and 1995, for £650,000.

Earnings per share this time rose 44 per cent to 2.57p (1.79p). The interim dividend is increased to 0.525p (0.46p).

Caparo deal may soon get court approval

Caparo Group, the privately-owned UK steel and engineering business, expects to win court approval in the next two weeks for its acquisition of Pennsylvania-based Sharon Speciality Steel, writes Tim Burt.

Mr Swraj Paul, the Anglo-Indian businessman who founded and chairs Caparo, said the group had given court officials details of its plans for the US group, which has been operating under Chapter 11 of the US bankruptcy code for more than a year.

"We are planning to spend $25m (£16m) on expanding the plant and talks are already taking place with the unions about re-employing the workforce," he said yesterday.

The move follows lengthy negotiations with Sharon's creditors, who are understood to have welcomed the Caparo approach.

Victaulic bolstered by acquisitions

By Peter Pearse

Victaulic, the maker of pipeline products for the gas, water, construction and mining industries, lifted pre-tax profits 7 per cent in the first half of 1994, helped by input from acquisitions and higher overseas sales.

Pre-tax profits rose to £6.2m (£5.8m) on turnover up 12 per cent at £57.6m (£51.5m).

Mr David Stewart, managing director, explained that as the "long-standing, traditional, high-margin" business from British Gas had been reduced on the back of anti-monopoly regulation, so the group had picked up new business which, because of the learning curve, was lower margin.

Sales to the UK gas industry are now only 17 per cent of turnover, compared with 34 per cent in 1991. However, Mr Stewart said there had been no loss of market share.

The 1994 acquisitions made operating profits of £400,000 on turnover of £3m, with Action Hose Couplings, acquired in 1993, accounting for £200,000. Victaulic has spent £11m on acquisitions since June 1993 and £16m since 1992.

At the period-end cash balances stood at £6.7m (£9.6m), leading to interest receivable of £200,000. Mr David Winch, chairman, said the company was "generating more cash than we can spend", though he added that the "strike rate on acquisitions is quite low". The group wants to expand in continental Europe, the UK and east Asia, though the latter would be with partners.

In April the company acquired a 51 per cent stake in Blakeborough Valves in Singapore and Malaysia, which could open up sourcing possibilities and new markets in east Asia, especially China.

Overseas sales advanced 18 per cent to £14m – some 24 per cent of total turnover. Earnings worked through at 9.4p (8.8p) per share and the interim dividend is lifted 0.1p to 2.6p. The shares closed down 3p at 274p.

Equifax raises UAPT bid

By Simon Davies

Equifax, the US credit data group, yesterday fended off what would have been a terminal blow in its bid for UAPT-Infolink, by raising its offer for the UK company to 650p a share.

Equifax is involved in a fight with Trans Union, its main US rival, for the hand of UAPT, the credit referencing company. An initial 500p bid was topped by a 550p offer from Trans Union, but Equifax hit back with a 600p offer.

However, the bidding war was complicated by the fact that Equifax owns a credit information business in the UK, and is faced with a possible referral to the Monopolies and Mergers Commission by the Office of Fair Trading.

Trans Union, which has no UK operations, therefore won the board's recommendation.

The fight came to a head yesterday when a group of five institutions, representing 21 per cent of UAPT's shares, were about to accept the 550p Trans Union offer.

The offer compares favourably with a share price as low as 75p earlier this year.

Equifax has now persuaded those institutions to defer judgment until an OFT decision is made, in exchange for the offer of 650p a share.

In addition, the board of UAPT has agreed to rescind its recommendation of the Trans Union offer.

Trans Union's bid is due to close on August 31, but it can be extended. However, Trans Union has stated that it will under no circumstances raise its offer. The OFT will therefore decide the outcome. Its decision is expected shortly.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Dunedin Income	int	8.9	Oct 7	8.75	-	26.1
EFT	int	0.525†	Oct 31	0.46	-	1.5
Gartmore	int	1.75	Oct 24	-	-	-
Gibbs & Dandy	int	1.2	Oct 13	1	-	2.5
Invesco	int	1.25	Oct 21	1	-	3.5
Jos	fin	3.625	Oct 14	3.025	12.25	11.65
Marley	int	2.1	Nov 4	2.1	-	4.2
Mayflower	int	0.5	Nov 18	0.45	-	1.35
Mersey Docks	int	3.3	Nov 4	2.85	-	9
M&G Income	int	1♥	Oct 20	1	-	4.9125
M&G Recovery	int	0.85♠	Sept 16	0.85	-	3.82
Parity	int	0.75	Nov 15	nil	-	1.5
Senior Eng	int	1.3†	Oct 17	1.26	-	3.36
Smith (WH)	fin	10.4†	Oct 21	9.9	15.4	14.2
Telegraph	int	5.5	Oct 12	5.5	-	13
Throgmorton 1000	fin	2.5	Oct 20	2.5	2.5	2.5
TR High Income	int	1.5☆	Oct 31	1.4	-	6
Victaulic	int	2.6	Oct 7	2.5	-	8

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♥Second interim making 2p to date. ♠First interim. ☆ Second interim making 3p to date.

PUBLIC WORKS LOAN BOARD RATES

Effective August 23

Years	"Lower" quota rates EP†	"Lower" quota rates AP††	"Lower" quota rates at maturity§	"Higher" quota rates EP†	"Higher" quota rates AP††	"Higher" quota rates at maturity§
1			6⅝			6½
Over 1 up to 2	6¾	6¾	7¼	6⅞	6⅞	7⅜
Over 2 up to 3	7⅜	7⅛	8⅜	7½	7⅜	8½
Over 3 up to 4	7⅞	8	8⅝	8	8⅛	8¾
Over 4 up to 5	8¼	8¼	8⅞	8⅜	8⅜	9
Over 5 up to 6	8½	8½	9	8⅝	8⅝	9⅛
Over 6 up to 7	8⅝	8⅝	9	8¾	8¾	9¼
Over 7 up to 8	8¾	8¾	9⅛	8⅞	8⅞	9⅜
Over 8 up to 9	8¾	8⅞	9⅛	8⅞	9	9⅜
Over 9 up to 10	8⅞	9	9⅛	9	9⅛	9⅜
Over 10 up to 15	9⅛	9⅛	9⅛	9⅜	9⅜	9½
Over 15 up to 25	9⅛	9⅛	8⅞	9½	9½	9¼
Over 25	9	8⅞	8¾	9⅜	9¼	9⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Senior Engineering edges ahead to £12.1m

By Tim Burt

Shares in Senior Engineering Group yesterday fell 14½p to 123½p after the tubular products, ducting and thermal engineering company reported sluggish first half profits.

Although turnover grew from £182m to £196m, disappointing performances by the construction services and thermal engineering divisions contributed to flat pre-tax profits of £12.1m (£11.4m) in the six months to June 30.

Profits were also dented by a £634,000 loss on the disposal of two non-core subsidiaries – Senior Engineering (Pty) and Senior Phoenix RFS – which were sold for £1.75m earlier this year.

Analysts, who had expected profits closer to £14m, said the falling share price reflected "some shock" at the figures.

Mr John Bell, chief executive, admitted some parts of the business had suffered from falling sales, but expressed surprise at the market reaction.

"I'm really quite amazed. Orders have been weak in our thermal and construction businesses, but that has been more than offset by the success of the engineered products division."

Rising sales at Flexonics, the group's flexible tubes business, fuelled a 74 per cent increase in operating profits to £8.16m (£4.68m) in the engineered products division.

That performance was enhanced by a three month contribution from Metal Bellows and Berghofer, the two connector companies acquired for £18.6m earlier this year.

Mr Bell underlined the importance of the division, which accounted for 62 per cent of the group's £13.2m (£11.9m) operating profits, by outlining plans to invest up to £28m in Flexonics over the next two years.

He also warned that it would continue to outperform the thermal engineering and construction services divisions, which both lost sales.

Profits in thermal engineering fell 23 per cent from £3.7m to £2.84m as orders faltered in both Britain and North America. Construction services – dominated by air distribution systems – suffered from a shortage of larger contracts and saw profits drop to £2.26m (£3.32m).

Earnings per share were unchanged at 3.24p and the group declared an increased interim dividend of 1.3p (1.26p).

● **COMMENT**

Senior's share price finally ran out of steam yesterday as 5.5m shares were traded. The short, sharp, shock dealt by the market may have been a bit harsh given the strength of its engineered products and the cyclical nature of the downturn in the other divisions. But if it persuades the management to use its £15.8m cash reserves to pursue new markets for thermal engineering and construction, rather than devote most of it to Flexonics, then it could serve as a useful warning. Full year profits are likely to exceed £28m, but on a forward multiple of 16.5 the shares look good value only as a long-term investment.

Sutcliffe Speakman parts company with chief executive

Sutcliffe Speakman is parting company with its chief executive in the wake of a disappointing performance in its UK carbons activities, writes Katrina Lowe.

Mr Richard Mumford assumed the post of managing director and chief executive at the time of Sutcliffe's reconstruction in 1991. It is thought that there was a difference with the board over management style and his handling of the group's carbons business, where demand has been slack.

Mr Mumford was a specialist in the activated carbon business. The company is engaged in activated carbon technology and environmental protection systems.

Mr Ernest Tyerman, chairman, said yesterday that the downturn in carbons sales partly reflected reduced bulk sales in the short-term.

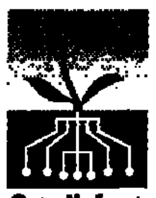
He added that estimates that the problems could result in an overall profits shortfall in 1994-95 in the region of £200,000 were not incorrect at present, but there was some time to go until the year end.

In the year to end-March Sutcliffe swung a £6.56m loss to profits of £1.1m pre-tax.

The shares fell 7p yesterday to 40p.

Out of the laboratory into the boardroom

Alan Cane on a company which is making a profit from the manufacture of DNA



Growth from technology

Making the complex biochemical that carries the genetic code is a profitable if prosaic business these days. Oswel, a commercial company based at, but separate from, Edinburgh University, has the process of manufacturing strands of DNA, the material of heredity, down to a fine art.

Customers are typically forensic science departments, teaching hospitals or biological laboratories. Orders are keyed into the company's computer network and, at the press of a button, one of Oswel's seven DNA synthesisers springs into life, conjuring up exactly what the customer ordered. The invisible strands of DNA in phials of water are packed in padded envelopes and sent out by ordinary mail.

What are the strands of genetic material used for? Biologists use them for experiments on the mechanism of inheritance; forensic scientists use them to identify tissues found at the scene of crimes. A method called the polymerase chain reaction uses Oswel's strands to turn tiny amounts of DNA into quantities large enough to analyse with ease.

The synthesis machines, costing £40,000 a time, run all day and sometimes through the night.

Professor Tom Brown, co-owner of Oswel with his wife Dorcas, emphasises the chemical rather than biological nature of the synthetic process. Oswel is, he says, a supplier of high quality, specialist chemicals, which happen to be fragments of the stuff of life.

Oswel (Oligonucleotide Service, Wellcome Trust), was established in 1986 with a £96,000 grant from the Wellcome Trust and £2,000 from the university. Prof Brown, with a broad background in the chemistry of the genetic code, was appointed director; he now holds a personal chair in chemistry at Edinburgh.

The aim was to offer a service to the university's world-renowned biological sciences departments, providing oligonucleotides – gene fragments. Word of the quality of Oswel's products got around, however, and soon the unit was receiving orders from outside.

It was also intended to be self-financing. It advertises its services in scientific journals such as *Nature* and by direct mail and, since Prof Brown knows who is doing what in gene research, he is able to approach potential customers directly.

By 1992, it was clear that the unit would develop more effectively free from university bureaucracy, and Prof Brown and his wife bought the unit from the university.

The deal, one of the first management buy-outs from any UK university, was arranged with the aid of UnivEd Technologies, the university's commercial arm.

It cost £500,000, representing about £100,000 worth of equipment and £400,000 of goodwill, and in a gesture which Prof Brown describes as "enlightened", the university agreed the Browns could pay for the company out of profits.

Oswel has annual revenues of about £1m, representing some 20,000 orders, and is sufficiently profitable for Prof Brown to predict that they will have paid off the debt within three years.

Tom and Dorcas Brown: Oswel's success has meant moving into the commercial world

Oswel reckons it is the largest DNA synthesis unit in the UK. DNA machines can be bought off the shelf, but it requires skill and experience to run them efficiently. Many organisations these days prefer to order their fragments from commercial "gene factories" such as Oswel.

The chief competition is large US companies such as Genosys. Oswel has the advantage of a local presence and a reputation for quality products – a reputation it guards jealously. The DNA strands are monitored and analysed continuously during manufacturing, and a sample of each is stored in the laboratory's deep freeze in case of complaints.

The chief threat to the business would be price-cutting by the US houses; at £70 to £80 a sample, Oswel charges premium prices. Prof Brown argues, however, that quality is his customer's foremost consideration. Furthermore, a company which cut its prices would find it difficult to invest enough to sustain research and development.

Oswel grew 35 per cent last year, and Prof Brown believes it should be able to sustain growth of 20 per cent a year for the foreseeable future.

It has signed a distribution deal with the UK arm of the Applied Biosciences division of Perkin Elmer, the US company which supplies it with equipment and chemicals.

The next step is to move beyond the synthesis of DNA to DNA sequencing – determining the order of the chemical groups in DNA strands. Once the leading edge of gene research, this is increasingly yielding to automation.

Prof Brown looks set to reap the reward for the hard work he and his wife have put in over the past few years. The university, meanwhile, has seen its £2,000 investment turn into £500,000 in a decade and will continue to receive royalties on Oswel products.

Previous articles in this series appeared on August 10, 16 and 19.

NEWS DIGEST

S Daniels £244,000 in the red

S Daniels, a supplier to the food manufacturing and baking industries, reported a pre-tax deficit of £244,000 for the first half to June 30, which it attributed to "unprecedented competitive pressure" and rationalisation costs.

The company had forecast a loss for the period at its annual meeting in May. The previous first half saw a pre-tax profit of £25,000.

Sales expanded by 15 per cent to £19.1m (£16.7m), but the group said all divisions had experienced intense pressure on margins, particularly the bakery ingredients business of Kluman & Balter.

In addition, start-up costs were carried in connection to a new depot and relocation of the beverage packing facility.

An exceptional item of £46,000 reflected the rationalisation of the head office and the raw materials division, which was expected to benefit the second half.

Losses per share were 3p, against earnings of 0.3p.

Coal Investments takes Scottish stake

Coal Investments has acquired a 20 per cent stake in Mining (Scotland), by exercising an option to acquire from Edwards Energy its 40 per cent shareholding in The Consortium Coal Company, which owns half of Mining (Scotland).

Edwards Energy is owned and controlled by Mr Malcolm Edwards, chairman of Coal Investments. The company is to allot 64,054 shares to Edwards Energy in settlement of the £60,000 consideration.

Coal Investments will also assume responsibility for a funding call made by Mining (Scotland), under which £20,000 is payable to Mining (Scotland) for a further issue of shares. This issue will maintain Coal Investments' interest at 20 per cent.

Mining (Scotland) was formed to bid for all British Coal's assets in Scotland.

Gibbs & Dandy up to £425,000

Against a background of fierce competition, sales at Gibbs & Dandy, the builders' merchant, rose by 5 per cent to £11.9m and pre-tax profits climbed from £292,000 to £425,000.

Mr John Dandy, chairman, said the sales trend had continued and reflected the tentative recovery in the construction industry.

Earnings per share advanced from 2.5p to 4.6p.

The interim dividend is raised to 1.2p (1p) and a final of at least 1.8p (1.5p) is forecast.

Net assets slip to 227.24p at Jos

Jos Holdings, a split capital investment trust, reported a net asset value per capital share of 227.24p at the July 31 year end, against 277.9p six months earlier and 217.29p at end-July 1993.

Net revenue amounted to £748,142 (£751,853), equivalent to earnings of 11.58p (11.63p) per income share, and a final dividend of 3.625 makes a total of 12.25p (11.65p) for the year.

Brent Walker makes £2.75m disposal

Brent Walker has completed the sale to Stakis of the Bath Hotel and Thimble Mill restaurant at Widcombe Basin, Bath, Avon, for £2.75m cash.

During 1993, the hotel incurred an operating loss.

Proceeds will be used to reduce group borrowings.

P&P rights issue 93.9% subscribed

A £8.6m rights issue by P&P, the computer services company, was 93.9 per cent taken up.

Acceptances were received for 14.1m new shares at 60p apiece. The proceeds will be used to help fund the £18m purchase of QA Training, a computer training concern.

Throgmorton 1000 lifts net assets 20%

Throgmorton 1000 Smallest Companies Trust raised undiluted net asset value by 20 per cent, from 118.4p to 142.2p, in the 12 months to June 30 1994.

This compared with a 6.6 per cent increase in the FT-SE SmallCap index (excluding investment trusts) during the same period.

At the end of July, the figure had edged ahead to 143p.

Net income for the year came out at £734,000 (£1.06m for 64 weeks) and earnings per share were 2.17p, against 3.29p.

The single final dividend is again 2.5p.

Applied Distribution buys assets for £1m

Applied Distribution, the contract distribution business which came to the market in March, has bought the distribution assets of Sara Lee's UK household and personal care division for £1.06m.

The company is to take over distribution for the division from September 30.

CONTRACTS & TENDERS

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Better European outcome offsets fall in North America following increase in costs

Invesco at £18.7m as margins improve

By Alison Smith

Invesco, the international fund management group, yesterday reported flat interim pre-tax profits as an improved European contribution offset a decline in North America.

Mr Charles Brady, chairman, said the group felt it could afford to raise the interim dividend by 25 per cent to 1.25p because it had strengthened its balance sheet and increased its profit margins.

Pre-tax profits for the six months to the end of June were £18.7m, against £23m which included exceptional profits of £4.04m. However, Mr Brady pointed out they were a significant improvement on last year's second half figure.

Earnings per share were 5.3p (5.4p).

He said it was a satisfactory performance given market conditions during the first-half. Funds under management slipped from £43bn to £42bn.

In North America a rise in income to £62m (£56.7m) was more than offset by an increase in costs to £41.8m (£35.1m). The resulting pre-tax profit was £20.7m (£22.1m)

Mr Brady said this reflected significant investment in administrative arrangements for defined contribution retirement plans for individual employees. This was a expanding area of business, but one in which the profits would not show through until next year.

The results also showed Invesco's continuing rationalisation of its European operations. Income fell to £22.6m (£23m) but costs fell more sharply from £21.9m to £19.8m to give a pre-tax profit of £3.93m (£3.7m).

Mr Norman Riddell, chief executive Europe, said he expected staffing of the European operation to fall further to fewer than 400 by the end of 1995, against 500 at the start of last year.

He said that retail business in the UK had been recovering earlier than he had expected, and that business in France and eastern Europe had also been growing. The difficult area remained UK pension fund business.

In the Pacific operation, income rose to £4.93m (£4.29m) but costs rose more steeply to £5.4m (£4.47m) as the region was formally set up and management strengthened.

● COMMENT

Depending on which measurement you take, Invesco looks on the expensive side of the sector, or a bit undervalued. On a prospective p/e of 15.5 to 16, it is above the sector average. Yet Invesco is among the cheapest stocks measured by market value as a percentage of funds under management. Invesco's performance will continue to depend critically on market conditions and its ability to wring more profits from its funds under management. There are some encouraging signs in the European cost-cutting and in the profits which should come through from the US personal pensions business. Invesco's recovery phase is not yet over, but the results seem reassuring rather than the reverse.

FT-SE 100 fall cuts funds at Gartmore

By John Gapper, Banking Editor

Gartmore, the UK-based fund management company 75 per cent owned by Banque Indosuez, yesterday reported a £1bn drop in funds under management to £20bn in the first half of the year because of falls in bond and equity markets.

It declared its first post-flotation dividend of 1.75p, payable from earnings per share of 5.7p (3.5p). Profit before tax for the six months rose by 55 per cent to £17.5m, with revenue rising by 39 per cent to £41.8m.

Gartmore attracted net new funds under management of £1.4bn, of which £600m came from pension funds. However, funds fell by £1bn – or 5 per cent – from the end of last year after a 15 per cent decline in the FT-SE 100 Index in the period.

Mr Paul Myners, chairman, said he remained confident that Gartmore had the expertise and ambition to achieve progress and grow its profits at a satisfactory rate over the long term "subject to the impact of movements in markets".

The rate of growth in net new funds was slower than last year, when Gartmore attracted £4.2bn in funds. Mr Andrew Brown, finance director, said the company had warned then that such an "exceptional" growth rate was unsustainable.

The interim dividend cost £3.53m of attributable profit of £11.4m (£7m). Mr Brown said that this level of cover was not a guide to dividend policy, and Gartmore expected to maintain dividend cover of about two times in the long-term.

Its funds came mainly from UK pensions, with £15.3bn from that source compared with £16.4bn at the end of 1993. Some £1.5bn was from unit trusts and offshore funds, £1bn from investment trusts, and £2.05bn from overseas clients.

Mr Brown said that there had been strong growth in unit trusts and offshore business. He said that, having started by establishing a strong UK business, overseas fund management was becoming "a very interesting market for us".

Mr Philip Gibbs, an analyst at Barclays de Zoete Wedd, said he estimated that funds under management had now risen to £22bn, and that management fees were likely to improve in the second half. The shares closed 6p down at 173p.

● COMMENT

Gartmore was bound to slow down after its growth of last year, and the fall in markets made the halt abrupt. Business still appears strong, despite a 32 per cent rise in expenses from taking on staff. Revenue should grow in the second half, but it must fight to keep the momentum in the longer term. With earnings per share of 12p expected for the year, the shares are trading on a multiple of 14.5 – not expensive for a company with a healthy, if short, record of growth.

Medway behind 78% leap at Mersey Docks

By Simon Davies

Trevor Furlong: management vacuum successfully filled

Mersey Docks and Harbour, the UK's second-largest port group, yesterday announced a 79 per cent increase in interim pre-tax profits from £8.86m to £15.9m, reflecting the impact of the recently-acquired Medway Ports.

Profits from the Port of Liverpool continued to surge in the six months to June 30, recording a 17 per cent advance, while Medway contributed close to £6m.

Medway, acquired for £103.7m last September, has been beset by difficulties. Three of Medway's directors resigned, and it has lost both the Olau Line's ferry service and the import/export contract for Toyota cars.

However, Mr Trevor Furlong, managing director, said the management vacuum had been satisfactorily filled and Medway's profits were in line with forecasts at the time of its acquisition.

Overall, Mersey achieved a 37 per cent increase in turnover, from £44.8m to £61.5m.

The Port of Liverpool suffered from a decline in throughput in coal and scrap steel, but achieved total throughput of 13.6m tonnes, marginally higher than in 1993.

The company won new business from ABC Container lines and Canada Maritime/OOCL, which it said would more than offset losses from two other customers.

In the Medway, car throughput at Sheerness remained high, with 177,000 units handled in the first half of the year. Toyota is estimated to account for about 40,000 units a year, and Mr Furlong was confident that a replacement contract could be won.

The loss of Olau has been partly replaced by Mersey itself, which is chartering two ships to provide its own service to the Netherlands. This service is currently being expanded.

The company invested £9.3m in the first half in new cranes and warehousing, and will spend about £20m for the full year, including substantial new storage space in Birkenhead.

Net borrowings totalled £24.5m, amounting to gearing of 15.5 per cent.

The interim dividend is lifted from 2.85p to 3.3p, a rise of 16 per cent. Earnings per share increased by 31 per cent from 8.98p to 11.72p.

● COMMENT

Mersey Docks is into its fifth year of double digit profits, and has demonstrated that teething problems at Medway have not hurt its growth trend – operating profit margins from its port business were 31 per cent. With a high proportion of fixed costs, any new business will feed through rapidly into profits, and although competition among the ports remains intense, Mersey has demonstrated its ability to win new custom. Analysts expect pre-tax profits of £24m for the year, putting the shares on a p/e of 18. Current growth trends and the management track record fully justify this premium.

NEWS DIGEST

Tesco claims over 58% of Wm Low

Tesco claims to have received acceptances to its revised offer for Wm Low in respect of 31.1m ordinary shares, representing 58.11 per cent.

Acceptances for the convertible preference offer had been received for 16.1m shares or 49.77 per cent. Of the acceptances, 33.52 per cent of the ordinary offer and 39.17 per cent of the preference took cash.

Emap acts to meet industry rules

Emap, the media concern, has sold Radio City to Radio City 1994, a holding company owned equally by Emap and Schroders, its merchant bank.

The move ensures that Emap complies with industry regulations following its acquisition of Trans World Communications, the Preston-based local radio group. The £71m deal raised the number of radio licenses held by Emap from three to eight - two more than permitted.

Consequently Emap and Schroders set up the holding company to allow two of the licences to be "warehoused". Radio City operates two local radio services - City FM and Radio City Gold in Merseyside.

Consideration for Radio City was £15m of unguaranteed interest bearing loan stock, to be retained by Emap.

Costain in early pref redemption

Costain Group is to redeem, at the full issue price of £5,000 each, the outstanding 7.5 per cent guaranteed redeemable convertible preference shares 2003 issued by Costain Finance.

The early redemption reflects the board's belief that administrative costs to comply with the terms of the issue are disproportionate to the outstanding number and value of the shares.

Latin American net asset value falls 10%

Latin American Investment Trust saw net asset value fall 10 per cent to $2.34 (150p) per share at June 30, against $2.62 at December 31 and $1.89 a year earlier.

The fully diluted figure was $2.09, compared with $2.32 and $1.74 respectively.

Attributable revenue dropped from $804,000 to $39,000 for the six months, leaving earnings per share at 0.05 cents (1.07 cents).

Majedie Investments to raise £15m

Majedie Investments, the self-managed trust which concentrates on listed investments, plans to raise £15m through the issue of debenture stock due 2020. Interest will be paid on March 31 and September 30, with the first payment on March 31 1995.

Newmarket Venture distribution soon

The joint liquidators of Newmarket Venture Capital intend to make a first distribution of about 36p a share in about six weeks time.

Losses for the 7 months to August 1 were £80,000 and net assets at that date totalled £20.8m or 58p a share.

Dunedin Income Growth revenue up

Dunedin Income Growth Investment Trust yesterday declared an interim dividend of 8.9p, up from 8.75p, as earnings per share for the six months to July 31 rose from 13.72p to 15.24p.

Net revenue after the preference dividend improved to £4.88m (£4.35m).

The trust said, however, that the earnings growth reflected the timing of dividend payments and was unlikely to be repeated in the second half.

Net asset value at the period end was 656.4p per share, down more than 16 per cent on the December figure of 784.6p.

James Smith buys business park

James Smith Estates is paying £1.3m cash for a long leasehold interest in the Alpha Business Park, Ipswich, Suffolk. The park consists of 12 business units totalling 15,000 sq ft and a 21,300 sq ft industrial unit.

US consortium ups Learmonth Burchett stake

Learmonth & Burchett Management Systems, the USM-quoted computer services company, is acting to ensure that a greater proportion of its capital is held by US investors.

Mr Roger Learmonth and Mr Rainer Burchett are selling shares and, with their families and related trusts, granting options to a US consortium led by Bessemer Venture Partners III which will increase its holding to 19.4 per cent.

The consortium is being offered 975,000 shares at 85p and options on a further 1.03m at the same price. The deal will leave Mr Burchett with a holding of 16.6 per cent and Mr Learmonth with 11.8 per cent. The shares were unchanged yesterday at 94p.

The move follows a rights issue, underwritten by the consortium, which left it with a 10.2 per cent stake. "This was considerably less than they had hoped for," said L&B, which wants to increase its US shareholders as it moves its focus across the Atlantic.

CSS helps Parity rise to £2m

By Alan Cane

Parity, formerly Comac, the information technology staff agency and services group headed by Mr Philip Swinstead, improved pre-tax profits substantially in the first six months, in line with the company's predictions.

Pre-tax profits rose from £60,000 to £2.02m, while turnover expanded to £38m (£5.3m). The interim dividend is restored at 0.75p.

The improvements reflected the contribution of CSS Trident, the contract staff agency acquired last year. The combined group is the UK's largest supplier of contract IT professionals in the UK.

Since June the group has strengthened its consultancy side with the acquisition of the UK consultancy business of LBMS and the CLASS training company.

Earnings per share were almost doubled at 3.54p (1.8p). The company has net cash balances of £4.8m (£700,000).

Yesterday the shares rose 12p to 129p. Analysts upgraded their estimates for pre-tax profit for the full year to £4m.

Mr Swinstead said payment of an interim dividend, omitted last year, reflected confidence in second-half trading.

Mr Billy Carbutt, chairman, said the group was trading well in the second half of the year: "The IT agency industry is restructuring and agencies are achieving good penetration of the quality end of the IT staff resourcing market, previously the domain of the established software houses."

NEWS IN BRIEF

ELECO HOLDINGS has sold its distribution subsidiaries for a total of £1.38m which Eleco will initially use to reduce bank borrowings. The loss on disposal is about £800,000.

KISH RESOURCES has requested temporary suspension of dealings in its shares pending clarification of its financial position.

MAGNOLIA GROUP has sold a warehouse in Northamptonshire for £825,000 against a book value of £850,000.

SIMON ENGINEERING has sold its interest in the seismic data acquisition vessel, Simon Labrador, to Horizon Exploration by way of a sub-demise of the lease.

TRINITY INTERNATIONAL Holdings intends to repay and cancel its 200,000 5 per cent cumulative preference stock units in order to simplify its capital structure.

Copper and aluminium lead rise in LME prices

By Richard Mooney

Base metals prices showed signs of shaking off the summer holiday blues at the London Metal Exchange yesterday. As traders looked forward to a pick-up in demand with the return of northern hemisphere metal consuming industries to full operation all LME contracts made ground, some of them quite substantially.

Copper, the exchange's flagship contract, led the way, building on Tuesday's after hours rally with a further $26 rise to close at $2,417.50 a tonne for the three months delivery position.

Traders told the Reuters news agency that copper still had a fair amount of work to do to break resistance around $2,430, but with New York Commodity Exchange (Comex) stocks falling and the forward premiums narrowing (indicating a tightening of nearby availability) they expected a challenge to be mounted soon.

Aluminium was also strong, breaking resistance at $1,508 a tonne for three months metal and moving on to close at $1,518.50, up $28.50 on the day, before adding a few more dollars in after hours trading. The early rise, prompted by trade buying, was fed by short-covering, traders told Reuters. And with technical factors constructive speculative activity was encouraged, notably from the investment funds whose buying and selling has been so influential in the metal markets over the past year.

Nickel's advance accelerated meanwhile, the three months position adding $85 to reach $5,912 a tonne by the close and pushing forward to $5,935 after hours. Traders noted that the market, already nervous about the possibility of a strike at Falconbridge of Canada should labour talks there fail, responded to a forecast by Sumitomo of Japan of a strong rise in 1994-95 in demand for steel. Stainless steel producers are big users of nickel.

Lead and zinc were able to join in the fun, aided by prospects of rising physical demand and, eventually, lower production because of reduced concentrate supplies. Three months lead rose $10.50 to $594 a tonne, while zinc was up $18 at $982.50.

● European primary aluminium output fell by between 7 and 8 per cent in May and June as multilateral production cuts took effect, according to the European Aluminium Association, reports Reuters from Brussels.

"The present decrease on an annual basis would amount to almost 8 per cent, which could become even higher in the coming months," it said in an advance copy of its quarterly report.

Output totalled 247,917 tonnes in June, down 7.1 per cent from a year-ago, 258,075 tonnes in May, down 7.7 per cent, and 260,095 tonnes in April, down 3.2 per cent.

European primary aluminium output fell 4.1 per cent to 1.56m tonnes during the first half of 1994, compared with the corresponding period of 1993.

Under a memorandum of understanding in March the world's leading aluminium producers agreed to cut output by 1.5m to 2m tonnes a year to help resolve a global oversupply crisis.

The EAA data covers the 12 European Union countries producers and Turkey.

Zimbabwe's $225m platinum deal signed

By Tony Hawkins in Harare

The largest foreign investment in Zimbabwe for a quarter of a century was given the go-ahead yesterday when the government signed a mining agreement with BHP Minerals and Delta Gold of Australia to develop the Hartley platinum project.

The total cost of the project, estimated to contain the largest undeveloped resources of platinum group metals outside South Africa, will be US$225m. The mine, in which BHP will have a 67 per cent stake and Delta Gold 33 per cent, will employ 2,700 people, including 100 expatriates.

Underground development starts next month with the first ore being mined late in 1995. This will be stockpiled until processing facilities are completed late in 1996. At full production in 1997 the mine will process 2.16m tonnes of ore annually, to produce 150,000 troy ounces of platinum 110,000 ounces of palladium, 23 000 ounces of gold and 11,500 ounces of rhodium. Hartley will also produce about 3,200 tonnes of nickel and 2,300 tonnes of copper. It has ore reserves sufficient for a 20-year mine life with the potential to double production at a later date.

The mine agreement signed yesterday signals a new regime for major investment projects worth more than $100m. Zimbabwe's Minister of Mines, Mr Edison Zvobgo, said the agreement guaranteed investors security of tenure and stability of fiscal terms.

Although little was said about the controversial issue of marketing, it seems the Zimbabweans have agreed to allow BHP to market the platinum-group metals directly rather than going though the state-owned Minerals Marketing Corporation of Zimbabwe. Gold will be sold by the Reserve [central] Bank of Zimbabwe, but the nickel and copper will be handled by the MMCZ. This concession is an important one and could attract other major investors to Zimbabwe.

On-site facilities at Hartley will include the mill, a concentrator, smelter and base metals refinery. The refinery will produce nickel and copper cathodes while platinum-group metals will be toll-refined in Europe. The promoters say the mine will be a low-cost producer, with unit costs of about $225 an ounce, putting it below South African producers like Rusplats and Northam and on a par with Lonrbo, but substantially more expensive than Pprust.

Speaking at yesterday's official signing ceremony with the government, Mr Peter Vanderspuy of Delta Gold predicted that by the turn of the century, a number of platinum projects producing 600,000 ounces annually would have been established on the Hartley complex and Zimbabwe would become the world's second largest platinum producer, after South Africa, accounting for some 12 per cent of global output.

Mr Vanderspuy predicted also that platinum would earn double the foreign exchange provided now by the tobacco industry and could generate investment in downstream activities such as the manufacture of exhaust catalysts for the motor industry.

Anglo expects to go ahead with Mali gold mine

By Kenneth Gooding, Mining Correspondent, in Johannesburg

Anglo American Corporation of South Africa's two year search for suitable gold projects in West Africa has paid off and the group expects to give the go-ahead in October to a US$210m mine in Mali.

The Sadiola project in the far west of the country, near the border with Senegal, is likely to come into operation in 1997 and produce between 10 and 12 tonnes of gold a year, according to Mr Neville Keys, project director of Anglo's new mining business division.

Anglo has been widening its search for African gold as nearly every metre of prospective land in South Africa has been explored and drilled by domestic companies unable to move freely abroad because of exchange controls.

Modern exploration techniques have merely proved that the old prospectors left very little to be discovered.

In West Africa Anglo is also exploring for gold in Burkina Faso, Guinea and Senegal, where there has been relatively little mining activity in the past – Mali has only one other gold mine, the Syana, operated by BHP of Australia.

Mr Keys said the Adiola, an open pit mine, would have a life of at least 14 years but he believed there was much more gold to be discovered there.

Final stages of the financial arrangements were being put together but it was expected that Anglo would have 38 per cent of the project and operate the mine. The private Canadian company that discovered the deposit, Ima Gold, would also have 38 per cent, the government of Mali 18 per cent and the International Finance Corporation, the investment arm of the World Bank, 6 per cent.

● There is an interesting difference of opinion about the gold market's prospects between Mr Clem Sunter, chairman of Anglo's gold and uranium division, and Mr Jim Buys, the group's senior economic consultant.

While both agree that the present gold price is well supported by physical demand and cannot be expected to go much lower, Mr Buys suggests the price is unlikely to rise much in real terms unless there is another burst of speculative interest of the kind seen last May and June, when the market was given a boost by the well publicised activities of financiers Sir James Goldsmith and Mr George Soros.

He believes there will be no surge in world inflation to give gold a lift because governments are giving top priority to keeping inflation down.

Mr Buys argues that if the gold price stays at about $380 a troy ounce in real terms for the next ten years, South Africa's annual gold production of about 610 tonnes can be expected to fall by twenty per cent.

Mr Sunter, however, is much more optimistic. He says Anglo's gold division hopes to see a gradual rise in the gold price to take it to $450 an ounce in real terms by the end of the century. He describes this as "a realistic wish". Also South African gold producers showed great resilience in 1991 and 1992 when many mines seemed to be facing closure because of low gold prices but survived by cutting costs. He would not be surprised to see South Africa's gold output remain stable in the 580 to 600 tonnes a year range for many years to come.

On the question of the relatively poor stock market ratings of South African gold companies compared to rivals in North America, Mr Sunter says he expects that other South African producers will follow the lead recently set by Gencor, which gave an estimate of its "life of mine recoverable gold" so that this could be compared with the reserve figures quoted by North American groups. Mr Sunter says Anglo will probably give a range of reserve estimates based on various Rand gold prices.

Zinc smelters face feed shortage

Zinc smelters face major uncertainty in the next 10 years in securing concentrate feed supplies due to an unprecedented number of mine closures, according to metals industry analysts Brook Hunt and Associates, reports Reuters.

Its latest review of the zinc concentrates market Brook Hunt said that a squeeze on miners' profits by low metal prices and high treatment charges had resulted in 17 mines, with a total capacity of about 500,000 tonnes of zinc in concentrate, were closed in 1993. And it forecast the closure before 2005, because of reserve depletion, of another 58 mines with an annual capacity of some 1.9m tonnes.

The magnitude of the mine closures meant that only 18 out of 54 primary zinc smelters had adequate feed cover to 2005 from mines now in operation, the report said.

Brook Hunt suggested that the industry needed an additional 1.3m tonnes a year of contained zinc from new mine production to meet the feed requirements of existing smelters in 2005.

It also needed a similar tonnage for the 1.2m tonnes of new smelter capacity required to satisfy a forecast market demand of over 6.5m tonnes of refined zinc. New mine projects, re-activations and expansions might add 2.5m tonnes, Brook Hunt said, but start-up dates would be influenced by ruling metal prices.

Over-production at western smelters since 1990 was forecast to push total stocks to 1.8m tonnes by the end of this year, fuelling an extended period of low zinc prices. That could accelerate mine closures and delay the start-up of new mine capacity.

Lower mine supplies would also prompt fierce competition in a custom concentrate market enlarged by additional smelters in Brazil and Thailand because of the depletion of ores at local mines.

Smelters in Canada, Australia and Mexico would lose feed from existing mines in the next five years which, directly or indirectly, would reduce availability to the custom market.

MARKET REPORT

London coffee futures lose early gains as rally boils over

London COFFEE futures ended broadly unchanged after a volatile afternoon marked by speculator and trade buying as well as technical selling and some trade liquidation, dealers said.

The market, which was predicted to open $57 higher in the November position following gains amounting to $250 earlier in the week, was slightly firmer at midday but during the afternoon it swung from a day's high of $3,650 a tonne to a low of $3,530.

At the close it stood at $3,573.

The London bullion market GOLD price broke through its previous resistance area around $383 a troy ounce in early afternoon business as good buying from the New York commission houses spilled over into Europe. It closed at $384.25 an ounce, up $2.25.

Dealers were restrained in their enthusiasm, however. "There's very little physical interest around on gold at present, so I can't see this rally lasting," said one.

SILVER, underpinned by gold's move, broke through resistance to hit a high of 534 cents an ounce before encountering selling.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1487.5-8.5	1518-9
Previous	1459-61	1489-91
High/low	1480	1524.5/1505
AM Official	1480-1	1511-12
Kerb close		1524-5
Open int.	272,637	
Total daily turnover	52,793	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1550-55	1570-5
Previous	1530-40	1550-55
High/low		1575
AM Official	1550-60	1565-70
Kerb close		1570-80
Open int.	2,851	
Total daily turnover	363	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	578.5-7.5	594-4.5
Previous	565.5-6.5	583.5-4.0
High/low		599/588
AM Official	571.5-2.0	589-9.5
Kerb close		598-9
Open int.	40,275	
Total daily turnover	10,388	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5820-25	5910-15
Previous	5725-35	5825-30
High/low	5850	5955/5840
AM Official	5854-55	5935-40
Kerb close		5935-45
Open int.	55,528	
Total daily turnover	11,095	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5205-15	5285-90
Previous	5180-85	5260-65
High/low		5300/5265
AM Official	5195-205	5275-80
Kerb close		5300-10
Open int.	17,389	
Total daily turnover	5,504	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	957.5-8.5	982-3
Previous	939.5-40.5	964.5-5.0
High/low	945	988/969.5
AM Official	945-5.5	969-9.5
Kerb close		987-8
Open int.	99,470	
Total daily turnover	18,504	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2407-8	2417-8
Previous	2370-1	2385-6
High/low	2398/2396.5	2422/2400
AM Official	2397-7.5	2406.5-7.0
Kerb close		2414-15
Open int.	211,765	
Total daily turnover	52,805	

■ LME AM Official £/$ rate: 1.5521
LME Closing £/$ rate: 1.5565

Spot:1.5538 3 mths:1.5520 6 mths:1.5497 9 mths:1.5453

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	110.10	+2.10	110.10	109.80	144	84
Sep	109.55	+2.00	110.05	108.10	16,216	2,868
Oct	109.40	+1.80	109.70	108.50	812	8
Nov	109.20	+1.55	109.50	108.30	552	2
Dec	109.50	+1.80	110.00	108.20	18,810	2,671
Jan	109.20	+1.65	108.20	108.20	378	-
Total					45,047	5,646

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.00-384.50	
Opening	381.40-381.80	
Morning fix	382.60	246.600
Afternoon fix	383.90	247.279
Day's High	384.80-384.90	
Day's Low	380.85-381.25	
Previous close	381.80-382.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.29	6 months	4.52
2 months	4.31	12 months	4.88
3 months	4.33		

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.70	521.35
3 months	340.10	527.55
6 months	345.10	534.55
1 year	358.05	550.95

Gold Coins	$ price	£ equiv.
Krugerrand	385-389	249-252
Maple Leaf	394.60-397.10	-
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	383.7	+2.1	384.8	382.2	69	42
Sep	384.1	+2.0	382.7	382.5	200	-
Oct	385.6	+2.0	387.0	384.0	9,635	529
Dec	388.6	+2.1	390.0	386.7	91,669	9,850
Feb	391.9	+2.1	393.1	390.1	12,975	18
Apr	395.2	+2.1	395.5	395.5	6,377	52
Total					166,684	10,589

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	414.7	+2.0	416.9	412.0	17,524	3,363
Jan	417.9	+2.2	420.5	415.5	4,537	605
Apr	421.3	+2.2	422.0	419.0	17,524	-
Jul	424.3	+2.2	-	-	1,888	-
Oct	426.8	+2.2	-	-	452	-
Total					24,503	3,968

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	154.60	+0.40	155.00	153.50	2,186	511
Dec	155.50	+0.60	155.75	154.00	4,378	546
Mar	155.60	+0.70	153.75	153.75	433	70
Total					6,996	1,127

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Aug	524.9	+4.6	-	-	-	-
Sep	525.2	+4.5	528.0	520.5	41,286	12,295
Dec	532.7	+4.6	535.5	528.0	47,426	-
Jan	536.0	+4.6	-	-	37	8,101
Mar	540.6	+4.6	543.0	536.5	7,359	-
May	545.9	+4.6	547.0	547.0	3,939	134
Total					110,711	20,553

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	17.40	+0.31	17.45	17.05	97,305	10,174
Nov	17.48	+0.27	17.49	17.17	49,329	50,798
Dec	17.52	+0.23	17.54	17.30	46,561	14,792
Jan	17.53	+0.18	17.55	17.39	30,166	10,087
Feb	17.55	+0.18	17.56	17.39	17,875	2,955
Mar	17.56	+0.18	17.56	17.40	15,759	1,114
Total					386,497	96,178

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Idx	15.85	-0.21	15.85	15.85	66,479	25,233
Oct	16.17	+0.22	16.21	15.90	24,906	7,076
Nov	16.24	+0.23	16.30	16.00	22,209	3,276
Dec	16.30	+0.21	16.35	16.09	8,539	1,112
Jan	16.28	+0.19	16.32	16.12	4,163	2,223
Feb	16.25	+0.21	16.28	16.08	4,559	540
Total					137,869	30,684

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	48.30	+0.49	48.30	47.55	19,754	10,766
Oct	49.00	+0.46	49.00	48.30	33,335	9,290
Nov	50.00	+0.46	50.00	49.30	18,833	4,548
Dec	51.05	+0.41	51.05	50.50	33,855	6,321
Jan	51.75	+0.36	51.85	51.20	18,742	2,666
Feb	52.20	+0.51	52.25	51.70	8,631	1,120
Total					192,402	37,031

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	149.00	+1.75	150.00	146.75	30,214	4,926
Oct	151.75	+1.25	152.75	150.25	23,527	3,644
Nov	154.25	+1.25	155.25	153.50	11,571	2,025
Dec	156.00	+1.00	156.75	155.00	16,348	1,869
Jan	157.75	+0.75	158.50	156.50	11,063	1,029
Feb	158.00	-	158.00	157.00	4,229	135
Total					108,763	14,497

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	1.495	-0.037	1.540	1.490	8,701	21,603
Oct	1.655	-0.015	1.710	1.655	27,703	8,931
Nov	1.880	-0.015	1.910	1.870	14,292	4,622
Dec	2.120	+0.001	2.145	2.115	21,082	2,880
Jan	2.155	+0.003	2.170	2.150	14,135	1,106
Feb	2.096	+0.006	2.110	2.092	9,195	389
Total					142,869	42,821

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Sep	50.65	-0.67	51.40	50.00	18,318	13,736
Oct	48.95	-0.03	49.10	48.35	24,090	11,107
Nov	47.90	+0.24	48.00	47.45	14,260	3,807
Dec	54.25	+0.35	54.45	53.75	8,129	710
Jan	53.30	+0.25	53.20	52.80	3,822	109
Feb	53.00	+0.60	53.00	52.35	2,556	230
Total					71,175	29,799

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.40	-0.30	104.50	104.25	384	42
Nov	104.85	-0.45	105.05	104.70	2,394	112
Jan	107.00	-0.35	107.10	107.00	1,902	132
Mar	108.60	-0.40	108.60	108.50	982	60
May	110.95	-0.20	110.90	110.90	1,100	35
Jul	113.05	-	-	-	167	-
Total					6,909	381

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	347/0	-	348/2	343/2	6,923	3,922
Dec	363/0	-0/2	364/0	358/4	43,491	9,897
Mar	371/4	-0/6	372/6	368/0	13,816	1,506
May	364/6	-1/2	366/6	362/4	1,278	97
Jul	345/4	-0/6	347/0	343/0	1,748	256
Dec	356/6	-1/0	-	-	13	5
Total					69,267	15,678

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	223/4	+2/4	224/0	220/0	26,935	11,337
Dec	224/4	+2/2	226/6	221/0	126,035	23,607
Mar	233/4	+2/0	236/4	230/0	27,442	2,188
May	239/4	+2/0	242/0	236/6	11,165	543
Jul	244/0	+1/6	245/0	241/0	10,263	574
Sep	246/0	+1/6	246/4	244/0	852	17
Total					208,280	38,418

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	104.00	-0.15	-	-1 183	-	
Nov	104.90	-0.30	105.00	105.00	458	11
Jan	108.25	-0.50	108.50	108.50	306	4
Mar	108.70	-	-	-	66	-
May	110.15	-	-	-	21	-
Total					1,031	15

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	582/2	+6/0	584/6	575/0	636	28
Nov	576/4	+6/6	578/2	568/0	12,537	2,523
Jan	585/2	+6/6	586/6	577/2	73,969	21,270
Mar	594/0	+6/2	596/0	586/4	13,172	1,471
May	600/6	+6/0	602/2	594/0	5,307	875
Jul	605/2	+5/6	607/0	598/4	3,555	256
Total					119,285	27,280

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	24.82	+0.32	24.89	24.47	249	8
Oct	24.74	+0.36	24.83	24.36	17,796	3,791
Dec	24.63	+0.40	24.70	24.22	15,747	2,175
Jan	24.56	+0.42	24.60	24.20	34,319	7,132
Mar	24.49	+0.42	24.50	24.11	5,238	730
May	24.42	+0.42	24.42	24.05	5,765	468
Total					86,623	14,402

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	177.5	-1.6	178.5	177.0	-	-
Sep	175.9	+0.5	176.8	175.0	17,694	5,486
Oct	174.0	+0.4	175.0	173.2	11,730	2,165
Dec	175.6	+0.6	176.2	174.0	33,454	6,388
Jan	176.1	+0.9	176.8	175.0	5,471	807
Mar	178.2	+0.9	178.7	177.0	6,196	1,127
Total					81,211	16,780

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	213.5	+1.0	216.0	205.0	1,434	177
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,494	177

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	1478	-5	1485	1469	524	55
Sep	1400	-7	1405	1395	696	69
Oct	1400	-18	1415	1395	802	63
Jan	1407	-23	1430	1400	453	29
Apr	1435	-8	-	-	162	-
Jul	1269	-8	-	-	80	-
Total					2,717	216

	Close	Prev
BFI	1494	1503

Cotton
Liverpool- Spot and shipment sales amounted to 211 tonnes for the week ended 19 August against 193 tonnes in the previous week. Improved demand brought moderate purchases mainly in American descriptions. Mali growths made some headway.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1021	-22	1047	1020	7,398	1,429
Dec	1050	-23	1077	1049	28,686	3,778
Mar	1072	-22	1095	1070	31,106	375
May	1082	-20	1106	1082	11,251	800
Jul	1093	-18	1105	1092	4,431	359
Sep	1103	-17	1123	1102	8,703	35
Total					101,009	7,831

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1367	-42	1403	1367	393	73
Dec	1429	-31	1449	1425	40,934	5,777
Mar	1465	-32	1482	1462	11,196	389
May	1491	-32	1508	1492	3,220	2
Jul	1515	-32	1530	1528	2,477	2
Sep	1535	-32	1548	1548	1,305	-
Total					65,835	6,243

■ COCOA (ICCO) (SDR's/tonne)

Aug 23	Price	Prev. day
Daily	1082.21	1060.54

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3633	-25	3718	3600	7,340	974
Nov	3573	-	3650	3530	11,547	2,232
Jan	3533	+10	3600	3490	11,341	505
Mar	3493	-23	3534	3445	5,178	98
May	3463	-19	3430	3430	1,449	22
Jul	3420	-	3470	3470	28	1
Total					36,883	3,832

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	189.00	-2.80	191.75	187.75	1,189	621
Dec	194.75	-2.85	198.25	193.80	21,840	6,068
Mar	197.75	+0.30	200.85	196.80	5,824	371
May	198.50	-0.50	201.50	198.00	2,726	97
Jul	199.50	-0.50	201.50	200.00	658	143
Sep	200.50	-0.25	201.50	201.50	348	1
Total					32,982	7,441

■ COFFEE (ICO) (US cents/pound)

Aug 23	Price	Prev. day
Comp. daily	183.07	175.79
15 day average	177.00	177.58

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.35	-	-	-	1,801	-
Jan	11.82	-	-	-	-	-
Mar	12.22	-	-	-	90	-
Total					1,891	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	320.80	-0.10	321.00	319.50	9,879	374
Dec	318.30	-0.20	319.40	318.00	1,370	127
Mar	317.90	-0.60	319.70	317.50	5,674	245
May	317.70	-2.30	319.70	318.00	449	15
Aug	320.70	+0.70	-	-	370	-
Oct	306.50	+0.20	-	-	186	-
Total					17,928	781

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.00	-0.03	12.04	11.97	57,749	11,151
Mar	12.01	-0.02	12.08	11.97	51,594	8,775
May	11.94	-0.04	11.98	11.92	10,335	984
Jul	11.92	-0.03	11.92	11.87	4,223	377
Oct	11.78	-0.03	11.80	11.77	1,575	-
Mar	11.30	0	11.40	11.28	441	17
Total					125,922	21,284

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.87	+0.64	70.05	69.00	5,105	665
Dec	68.16	+0.31	68.40	67.69	28,927	5,183
Mar	69.37	+0.32	69.58	68.90	9,033	419
May	70.22	+0.17	70.60	69.90	4,677	233
Jul	71.00	+0.15	71.50	70.90	3,493	58
Oct	69.55	+0.05	69.60	69.60	419	4
Total					52,880	6,627

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	92.05	-1.30	93.90	92.05	5,062	2,446
Nov	95.65	-1.35	97.30	95.50	7,499	1,631
Jan	99.50	-1.25	100.90	99.15	4,489	276
Mar	102.75	-1.10	103.75	102.58	2,346	389
May	106.00	-1.10	-	-	852	6
Jul	108.00	-1.10	108.50	108.50	238	15
Total					20,781	4,765

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 24	Aug 23	month ago	year ago
2070.8	2057.3	2123.2	1629.1

■ CRB Futures (Base: 1967=100)

Aug 23	Aug 22	month ago	year ago
228.91	228.49	232.52	216.43

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	68.100	+1.250	68.300	67.025	2,179	1,895
Oct	70.880	+1.250	70.875	69.800	34,238	10,565
Dec	69.450	+1.000	69.500	68.600	16,205	3,867
Feb	68.850	+0.750	69.000	68.450	11,076	1,257
Apr	70.750	+0.625	70.850	70.325	6,663	797
Jun	67.650	+0.675	67.700	67.200	1,704	353
Total					72,429	18,889

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	45.400	+0.125	45.975	45.000	276	325
Oct	39.800	+0.500	39.900	39.375	12,172	1,303
Dec	40.350	+0.225	40.425	40.150	8,004	650
Feb	40.275	+0.200	40.375	40.200	2,139	180
Apr	39.625	+0.275	39.700	39.475	1,614	57
Jun	44.350	+0.200	44.400	44.100	520	7
Total					24,923	2,526

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	31.550	-0.725	32.900	31.050	136	86
Feb	44.475	+2.000	44.475	42.900	6,950	1,060
Mar	44.350	+2.000	44.350	42.750	383	127
May	45.100	+2.000	45.100	44.250	71	7
Jul	46.225	+2.875	46.225	45.250	114	6
Aug	45.200	+2.950	45.200	43.509	14	4
Total					7,668	1,296

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1475	61	103	22	42
1500	46	88	32	52
1525	34	75	44	63
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2350	97	125	22	66
2400	65	98	40	89
2450	41	76	66	116
■ COFFEE LCE	Nov	Jan	Nov	Jan
3250	483	575	160	292
3300	452	549	179	316
3350	423	523	200	340
■ COCOA LCE	Dec	Mar	Dec	Mar
1000	93	123	43	51
1050	67	95	67	73
1100	48	73	98	101
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1600	43	-	38	-
1650	31	50	65	94
1700	17	37	103	-

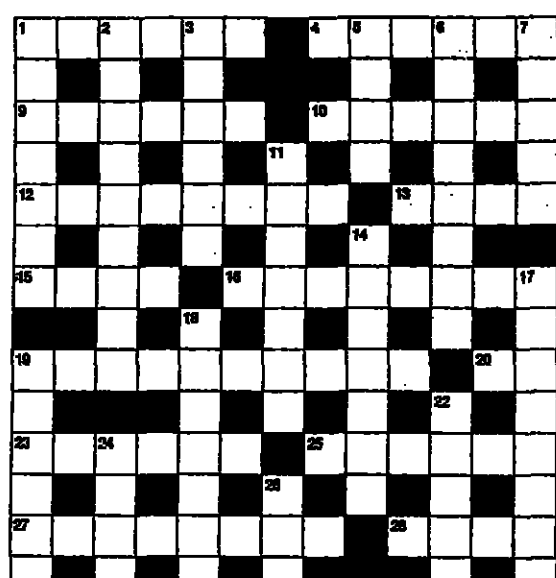
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)		+or-
Dubai	$15.06-5.14t	+0.295
Brent Blend (dated)	$15.72-5.74	+0.42
Brent Blend (Oct)	$16.27-6.29	+0.35
W.T.I. (1pm est)	$17.46-7.48t	+0.365
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$196-197	-3
Gas Oil	$150-151	+3
Heavy Fuel Oil	$75-77	
Naphtha	$156-158	+2
Jet fuel	$164-165	+1
Petroleum Argus assessments		
■ OTHER		
Gold (per troy oz)♣	$384.25	+2.25
Silver (per troy oz)♣	526.5c	+4.0
Platinum (per troy oz.)	$410.75	-1.00
Palladium (per troy oz.)	$152.25	-1.00
Copper (US prod.)	112.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.11m	+0.05
Tin (New York)	244.0c	+1.5
Cattle (live weight)†©	117.24p	-3.11*
Sheep (live weight)†♣©	90.32p	+1.82*
Pigs (live weight)©	78.49p	+0.05*
Lon. day sugar (raw)	$306.70	-1.80
Lon. day sugar (wte)	$346.70	-0.30
Tate & Lyle export	£310.00	-1.00
Barley (Eng. feed)	£107.5w	-0.5
Maize (US No3 Yellow)	£140.0	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	90.25p	-0.75
Rubber (Oct)♥	89.25p	-0.75
Rubber KL RSS No1 Aug	324.00m	
Coconut Oil (Phil)§	$595.0z	-17.5
Palm Oil (Malay.)§	$605.0w	-7.5
Copra (Phil)§	$415	
Soyabeans (US)	£167	
Cotton Outlook 'A' Index	75.60c	+0.45
Wooltops (64s Super)	448p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

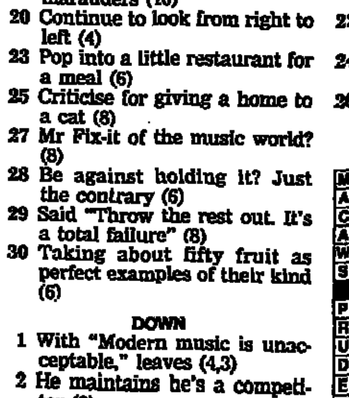
No.8,541 Set by ALAUN



ACROSS
1 A lot of money that comes to you in the post (6)
4 Landing strip from which there are no take-offs (8)
9 Would an insect snoop about for food in it? (6)
10 Excited by? No! (6,2)
12 On the next page you'll see where to spray the insecticide (8)
13 Makes a little change, holidaying in Spain (6)
15 Bother! It's in my in-tray (2-2)
16 Nearing Holland, is set free (3,3,4)
19 In favour of locks to keep out marauders (10)
20 Continue to look from right to left (4)
23 Pop into a little restaurant for a meal (6)
25 Criticise for giving a home to a cat (8)
27 Mr Fix-it of the music world? (8)
28 Be against holding it? Just the contrary (6)
29 Said "Throw the rest out. It's a total failure" (8)
30 Taking about fifty fruit as perfect examples of their kind (6)

DOWN
1 With "Modern music is unacceptable," leaves (4,3)
2 He maintains he's a competitor (9)
3 Registers while the Latin senor is ushered outside (6)
5 The dolt's got a wrong number (4)
6 Thought the deer were flocking to the water (8)
7 Foreign minister (5)
8 Managed to get the bag and to search it (7)
11 Showy food served in the airmen's mess? (7)
14 To get support, ran outside and got soaked (7)
17 What proportion? Nine of our group (3,2,4)
18 Both introduces and makes the awards to (8)
19 A fight in the car ahead (7)
21 Thinks it better to have mentions on the front page (7)
22 It's two fifty when the car comes round (6)
24 As usual, taking half the bits and pieces (5)
26 "Give up", one of likely winners said (4)

Solution 8,540



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE races ahead to close at five-month high

By Steve Thompson

A burst of heavy buying interest from the US and throughout Europe just before the close of trading, drove the *FT-SE 100* index decisively through the 3,200 level.

FT-SE 3,200 has proved a stumbling block to the market in recent sessions, with the index pushing through that level many times only to drop back sharply.

The buying was mainly through the FT-SE future and was said to have been generated by strong buying and arbitraging by two leading integrated houses, one US and the other UK.

At the close the FT-SE 100 was 30.1 higher at 3,205.2, the first time it has closed above 3,200 since March 22. Buying interest was concentrated in the market leaders, however, with the FT-SE Mid 250 index, which contains many of the outperforming utilities stocks, able to record a modest 8.7 rise at 3,762.1.

Some traders attributed the burst of support to the excercising of a specially constructed FT-SE stock option at the 3,200 level, a move which led to a rush of short covering and arbitraging in both the future and cash markets.

Market strategists preferred to ascribe the upturn in the market to a decoupling of European equity markets from international bonds. It was noticeable that bonds endured difficult trading for much of yesterday with German bunds unsettled by evidence of increasing inflation in western regions of Germany.

Inflation in Baden Wurtenburg rose 0.2 per cent in the month to mid-August, giving a year-on-year increase of 3.1 per cent while in North Rhine Westphalia inflation was 0.1 per cent higher on the month and up 2.8 per cent on the year. Analysts were concerned that evidence of rising inflation could demolish any hopes of a cut in German interest rates next week when the Bundesbank Council meets to discuss monetary policy. UK gilts closed little changed on the session.

The market's last-minute advance built on earlier modest gains in equities. The 100 index began the session quietly firm, up over seven points, responding to Wall Street's good overnight performance which in turn was a reflection of the encouraging outcome of the auction $17bn worth of two year bonds.

European markets received a further boost from the US where the Dow Jones was more than 20 points higher shortly after the opening, following a fall in US durable goods orders. The US news was interpreted as indicating a slowing of the US economy and produced a rise in US bonds.

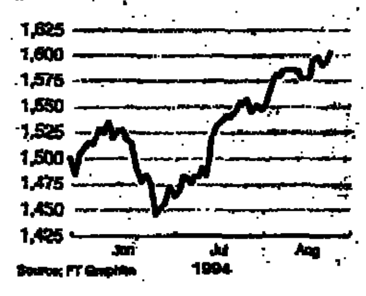
The buying spree produced another useful increase in the volume of business in London. Turnover reached 701.6m shares, well up on Tuesday's 556.5m and Monday's 498m. The value of customer business in London on Tuesday was £1.3bn.

News that Seeboard had purchased 2m of its own shares late on Tuesday was the trigger for yet another burst of strength in the regional electricity stocks which have spiralled upwards both before and following the electricity distribution pricing review last month.

All the 12 electricity companies have shareholder permission to buy their own shares and the market is also braced to expect a burst of stakebuilding and or takeover activity possibly even ahead of the removal of the Government's "golden shares" which will be withdrawn next March. It was also pointed out that several institutions are still underweight in the Recs and waiting for an expected bout of profit-taking in the sector.

Composite insurers delivered good rises across the board with traders noting the sector's underperformance for much of the year. And there were keen buyers in the market for Lloyds Bank and HSBC. Takeover stories remained the dominant factor in a buoyant drugs sector where Glaxo, Zeneca and Wellcome all made significant progress.

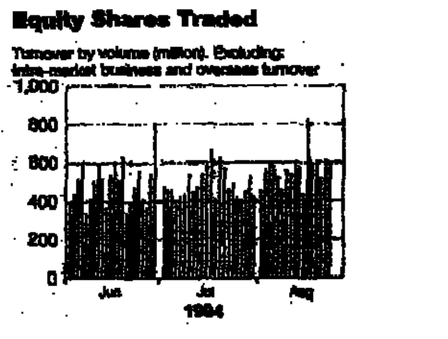
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3205.2	+30.1	FT Ordinary index	2507.5	+17.8
FT-SE Mid 250	3762.1	+8.7	FT-SE-A Non Fins p/e	19.89	(19.77)
FT-SE-A 350	1617.4	+12.8	FT-SE 100 Fut Sep	3224.0	+33.0
FT-SE-A All-Share	1604.14	+11.73	10 yr Gilt yield	8.72	(8.74)
FT-SE-A All-Share yield	3.72	(3.75)	Long gilt/equity yld ratio:	2.36	(2.34)

Best performing sectors

1 Tobacco +2.4
2 Electricity +2.3
3 Retailers, Food +2.0
4 Utilities +1.7
5 Oil, Integrated +1.5

Worst performing sectors

1 Oil Exploration & Prod -1.1
2 Engineering, Vehicles -0.8
3 Other Financial -0.7
4 Building & Construc -0.6
5 Building Materials -0.4

Buy-back pushes RECs up

The regional electricity companies (RECs) saw their share prices spike higher as Seeboard became the first since the recent regulatory review to buy back its own equity.

The purchase of 2m shares at 425p in order to distribute part of its cash surplus to shareholders represented less than one per cent of the company's equity. It was a fragment of the stake that Seeboard can reclaim - it has permission to buy back 10 per cent or 25m shares - but served as a timely reminder of what one analyst described as the "tiny window of opportunity" that the RECs have.

Their closed seasons begin at the end of September and when they finally report they will be inhibited by their involvement with the flotation of the National Grid. This will take them through to the next closed season and effectively tie their hands until next summer.

Mr Kevin Lapwood, of Smith New Court said: "This is a dream ticket until the end of September." He believes prices could rise by 15 per cent in the short term.

Hoare Govett take a more cautious stance but still believes share prices could rise by a further 7 per cent. Profit taking towards the end of the day saw some of the more spectacular rises whittled back but Seeboard closed 17 higher at 437p while Southern Electric rose 25 to 792p and Eastern Electricity, which also experienced very active turnover in traded options, added 20 at 822p. The gains are likely to dampen down some of the takeover speculation that has surrounded the sector since Goldman Sachs bought a block of 7.7m shares, some 2.99 per cent stake in Eastern, the sector leader.

Asda active

Turnover in food retailer ASDA Group jumped to a hefty 29.5m, making it the day's most actively traded stock after a broker reiterated its buy recommendation on the stock.

The shares closed 3 ahead at 67p, as Morgan Stanley reiterated its buy stance on the stock and predicted likely profit upgradings. Mr Nick Bubb at the broker said: "If the stores renewal programme continues to deliver results and industry margins continue to recover then current profits estimates will look conservative." His current prediction is for full-year profits of £200m.

Investment bank Lehman brothers were also said to have been active in the stock.

The sector has been left behind in recent sessions and dealers took the opportunity of a strong market yesterday for bargain-hunting, thus boosting other food retailing stocks. Kwik Save jumped 10 to 612p, Argyll Group 8 to 296p and Tesco, 4 to 249p. Tesco said yesterday it had received acceptances for 58.11 per cent of Wm Low, the Scottish grocer at the centre of the recent bid battle, and also claimed acceptances for 49.77 per cent of the preference share offer.

Securities house UBS was said to have had the big buyer of WH Smith Group, the high street retailer which reported figures in line with market expectations yesterday.

The shares gained 12 to 481p, after trade of 2m. However, Mr Tony Shiret at BZW was decidedly lukewarm about the figures and said: "The results were in line but I think the progress of the main WH Smith chain was muted."

Presentations to institutions by Boots boosted the shares another 11 to 563p.

News that Body Shop is under investigation by US authorities in relation to its US franchise operations left the shares trailing 8 to 219p.

MFI Furniture rose 3 to 149½p after BZW, a long term bear of the stock, moved it from the sell list and gave it a hold recommendation following the stocks' recent strong underperformance.

Kingfisher put on 6 to 534p, ahead of today's visit by institutions to one of its warehouses.

Pharmaceuticals groups gained ground as takeover stories circulated in the market. Wellcome, which is considered to be a prime bid candidate lifted 11 to 720p, with some additional help from the potential benefit from a legal fracas with SmithKline Beecham, which fell 2 to 446p in the A's. Meanwhile Zeneca which has also been mentioned as a potential UK target, improved 17 to 848p and Glaxo, considered to be looking for an acquisition, gained 7½ to 652½p.

Shell Transport improved 11 to 729p as S.G. Warburg discussed the group's interim dividend prospects. The house was arguing that the company would boost its UK dividend by 12 per cent to 11.4p and its full year payout by 16 per cent to 27½p putting the yield at a 15 per cent premium to the market and giving a 10 per cent upside to the shares. Meanwhile, BP benefited from news that it had successfully completed tests at its Cupigua field in Colombia. The shares gained 6 to 412p.

Tobacco and insurance conglomerate BAT Industries improved 10 to 432p as optimism over the prospects for tobacco profits in the US prompted Salomon Brothers to upgrade its recommendation on rival Philip Morris. Shares in the Telegraph sank 14 to 360p after the newspaper group revealed disappointing first-half figures.

Among property stocks, Land Securities shed 3 to 649p on reports that Kleinwort Benson had urged investors to switch out of the stock and into MEPC, a penny harder at 454p. However, Kleinwort Benson denied making such a recommendation.

Building materials group CAMAS, which was demerged from English China Clays in June, put on 3 to 85p, following a UBS recommendation. English China shed 3 to 385p.

Information Technology group Parity gained 12 to 129p following a sharp rise in interim profits to £2m.

Chemicals group Sutcliffe Speakman fell almost 20 per cent as the company sacked its managing director and warned of poor sales in its carbons division. The shares rallied to close 5 off at 40p.

Waste Management put on 6 to 585p ahead of a presentation to US and UK analysts today.

Talk of an order and recommendation from Hoare Govett boosted defence electronics group GEC. The shares added 6 to 301p, after trade of 4.7m.

Profit-taking in Senior Engineering which reported a 5 per cent profits increase, in line with expectations, left the shares 14½ down at 123½p.

There was poor sentiment among vehicle related stocks after Tuesday's revelation of figures showing German car registrations down 16 per cent in July. GKN lost 4 to 624p, while BBA Group eased 3 to 191p. Lucas Industries relinquished 2 to 191p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,

■ Other statistics, Page 18.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures raced ahead as the trading session drew to a close, cruising through the 3,200 level and closing sharply higher *writes Steve Thompson.*

The market's buoyancy, which followed another strong performance from Wall Street, was in sharp contrast to the early part of the session.

The September futures contract opened at 3,198, mirroring the strong showing by Wall Street overnight and a steady performance by US bonds, but quickly ran out of steam, slipping back to the day's low point, 3,186.

For most of the day the contract moved narrowly before suddenly rushing up through 3,200. At that key level it prompted a welter of buying from the locals, or independent traders, who rushed in to cover short positions. Dealers also noted heavy arbitraging, selling the future and buying the *underlying stocks.*

The contracts ended the day at 3,225, a hefty premium of 22 points over fair value and *an indication that dealers are* looking for a strong performance from the market in the short term. Turnover was a *slightly disappointing* 12,045 contracts.

Talk that a specially-tailored FT-SE 100 stock option had been struck at 3,200 *also* helped spur the market on.

Eastern Electricity, topped the list of most active stock options, with 3,458 contracts traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3198.0	3224.0	33.0	3230.0	3186.0	12045	55833
Dec	3208.0	3227.5	33.0	3238.5	3208.5	1373	5298
Mar	-	3259.0	33.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3770.5	3773.0	10.0	3781.0	3765.0	215	4433

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3773.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	29,000	68½	+2½
Abbey National†	3,200	398	+2
Albert Fisher	1,700	47	+½
Allied-Lyons†	2,400	620	+14
Anglian Water	698	580	+9
Argos	261	361	+2
Argyll Group†	9,700	298	+8
Arjo Wiggins†	1,400	273½	+2½
Assoc. Brit. Foods†	448	567	+½
Assoc. Brit. Ports	172	284	+1
BAA†	1,300	514	
BAT Inds.†	3,200	432	+10
BET	976	116	-1
BICC	74	403	+3
BOC†	497	732	-2
BP†	8,300	412	+6
BPB Inds.	1,100	324	-5
BT†	11,000	387	+9
BT (Pt/Pd)	5,300	257	+8
BTR†	4,400	385	+6
Bank of Scotland†	2,100	199	-1
Barclays†	3,000	570	+2
Bass†	2,200	575	+6
Blue Circle†	2,800	306	+1½
Booker	68	434	-1
Boots†	2,600	563	+11
Bowater†	1,800	470½	+8½
Brit. Aerospace†	1,100	494	-4
British Airways†	7,000	408	+10
British Gas†	5,600	303	+4½
British Land	399	409	+2
British Steel†	8,400	155¼	+¼
Bunzl	280	180	-3
Burmah Castrol†	254	867	+12
Burton	2,100	63½	+½
Cable & Wire†	5,000	454	+4
Cadbury Schweppes†	2,100	473	-2
Calor Group	175	231	-2
Caradon†	1,300	298	+4
Carlton Comms.†	1,600	881	-10
Coats Viyella†	1,000	230	+3
Comm. Union†	1,500	654	+7
Cookson	110	269	
Courtaulds†	2,300	518	-9
Dalgety	573	478	+11
De La Rue†	1,200	963	+5
Dixons	451	208	
Eastern Elec.	3,200	822	+20
East Midland Elect.	1,400	760	+5
Eng China Clays	2,800	385	-3
Enterprise Oil†	970	392	-5
Eurotunnel Units	212	283	-5
FKI	1,500	181	+3
Fisons	1,200	151	+4
Foreign & Col. I.T.	1,100	145	+½
Forte†	4,500	246	+1
Gen. Accident†	917	581	+11
General Elect.†	4,700	301	+6
Glaxo†	7,900	652½	+7½
Glynwed	884	354	-5

NEW HIGHS AND LOWS FOR 1994

LONDON EQUITIES

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	24	12	34
Other Fixed Interest	2	3	10
Mineral Extraction	65	47	87
General Manufacturers	130	131	394
Consumer Goods	57	30	100
Services	100	81	324
Utilities	35	3	7
Financials	79	85	204
Investment Trusts	99	34	334
Others	58	32	29
Totals	649	458	1513

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 5	Settlement	December 8

Calls: Aran Energy, Can. Pizza, Division Grp., Grand Central, Gulfstream Res., Tadpole Tech. Puts: Whitbread, YTV Wts., Puts & Calls: Hillsdown, Tarmac

LONDON RECENT ISSUES: EQUITIES

LIFFE EQUITY OPTIONS

FT-SE Actuaries Share Indices — The UK Series

FT GOLD MINES INDEX

FINANCIAL TIMES EQUITY INDICES

RIGHTS OFFERS

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	+¼	£25¾	£20⅝	6,867	4.9	φ
ANZ A$		188	—	278¼	179¾	2,502	5.1	20.2
Abbey National	†N□	399xd	+2	523	381	5,185	4.9	13.3
Allied Irish I£	♣†N□	240xd	+4	314	234	1,596	5.3	9.2
Anglo Irish I£	M N□	56	—	70	50	189.8	7.4	10.6
Asahi Y		784¼	-¾	819¾	628	17,733	0.6	φ
Banco Bil Viz Pta		£15⅛	-⅛	£16⅞	£14⅛	3,470	5.6	6.7
Banco Sant Pta		£28¼	—	*£30½	£23¾	3,987	5.5	9.2
Bk Ireland I£	♣□	265	+5	*319	246	1,266	4.9	7.8
Bank Scotland	♣N□	199	-1	247	172½	2,322	3.2	16.3
9¼pc Pf		113¾	+¾	141½	113	113.2	10.2	–
9¾pc Pf		118½	—	148½	118¼	118.5	10.3	–
Barclays	♣†N□	578xd	+2	640	487	9,273	3.7	17.6
Dai Ichi Kan Y		£11⅞	+⅛	£12⅞	£10⅞	37,284	0.5	–
Deutsche DM		£298	+4⅞	£344¼	£270⅞	13,954	2.3	–
Espirito Santo		£10⅞	—	*£13⅞	£8⅞	223.4	3.7	6.2
First Nat Fin	N□	69½	—	*90	60	117.3	2.7	–
6.3pc Cv Pf		77	—	*90	77	8.16	10.2	–
7pc Cv Pf		125½	—	171	123	59.5	7.0	–
Fuji Bank Y		1495½	+5¼	1549¼	1152½	43,325	0.4	φ
HSBC HK	†N□	736	+9	1133	680	12,882	4.2	10.5
HSBC (75p Shs)	†N□	778	+8	1113	680	6,183	4.3	10.3
Lloyds	†N□	549xd	+5	699	519	7,098	5.2	10.8
Mitsubishi Y		£17¼	+⅛	£18⅞	£15⅝	49,276	0.3	φ
Mits Tst & Bk Y		989¼	+25¼	1162¼	887½	11,974	0.5	15.4
Mitsui Tst & Bk Y		762½	+4¼	879	514	9,136	0.7	25.0
Nat Aust A$	†	504	-2	628¼	489¼	6,746	5.6	10.6
NatWest	†N□	482½xd	+½	622	421	8,833	5.0	9.0
Ottomane FFr		£27¼	—	£33	£21¼	108.8	6.7	φ
Ryl Bk Scotland	♣†N□	402	+1	528	377½	3,218	3.7	18.2
Sakura Y		£9⅞	—	£9⅞	£8⅞	30,310	0.6	64.9
Sanwa Y		£13⅞	+⅛	£14⅞	£11⅞	38,889	0.4	–
Standard Chartd	†N□	249xd	+1	*359¼	223	2,364	3.2	8.4
7 3/8pc Pf		84½xd	-¼	108½	84½	84.5	10.9	–
Sumitomo Y		£12⅞	+⅛	£16⅞	£11½	40,615	0.4	26.8
Sumitomo Tst Y		827½	+12¾	1146½	825	11,535	0.6	φ
TSB	†N□	214xd	+2	291	197	3,276	4.7	10.8
Tokai Y		£8⅞	+⅛	£9	£6⅞	17,576	0.7	52.6
Toyo Tst & Bk Y		780¼	-¼	852	686¼	6,211	0.6	67.9
Westpac A$		209	+1	260	194	3,804	2.6	φ
Yasuda Tst Bk Y	‡	689¼	+2	858	442	6,906	0.9	50.7

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Int'l Eqt Aug 17 | 750.1 | 817.6 | — | 0.93

Baring Investment Mngmt Ltd

CAF – Charity Money Management

CIS Unit Trust Managers Ltd

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Century Life International Ltd - Contd.

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Friends Provident International

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar and pound firmer

The dollar and sterling were yesterday both beneficiaries of rallies which came at the expense of the D-Mark, *writes Philip Gawith.*

Both moves were technically driven, rather than a reflection of fundamentals, and came against the backdrop of low turnover in markets devoid of any news to respond to.

"The market is looking for things to do, rather than what it really believes in," was the comment of one trader.

The only release of note was the July durable goods number in the US, a figure too volatile to offer much direction to the market.

The dollar closed in London at DM1.5411, from DM1.5377. Against the yen if finished slightly down at Y98.415 from Y98.45.

Sterling hung on to the coat-tails of the US currency, to close at DM2.3977, from DM2.3893, and at $1.5558 from $1.5539. The sterling index finished three basis points firmer at 78.9.

The D-Mark was mixed in Europe, finishing slightly higher against the Swedish krona, but down against the Italian lira.

■ Mr Nick Parsons, treasury economist at CIBC in London, said there appeared to be an "anti D-Mark mood" in the market. Evidence of this was the firmer dollar, which spilled over into Europe. The Franc, for example, appreciated steadily throughout the day from FFr3.4320 down to the FFr3.4250 level. Sterling also threatened to rise above the DM2.40 level.

Mr Parsons said these moves did not reflect new news, but "a failure of previous chart targets." In the case of the dollar, for example, the currency rallied before it touched the recent low of DM1.5165, reached on July 12.

He attributed this to a diminished appetite for risk in the market. "The pain threshold is a lot lower than it would have been a year ago," said Mr Parsons.

He said investors appeared to be running ever tighter stop levels, meaning that they were quicker to liquidate positions that turned against them. "If you don't get instant gratification, you have a reversal of the position."

Traders said that failure of the dollar to re-test the old low suggested that the downside for the currency had been established. Yesterday it tried to capitalise on this and push higher, but without conspicuous success. The durable goods numbers were insufficiently reliable for any firm conclusions to be drawn about the economy.

Mr Ian Gunner, international economist at Chase Manhattan in London, said a pattern appeared to have been established whereby European crosses. pushed down by a stronger D-Mark, recovered quickly once the dollar stabilised. "This pattern will stop people aggressively shorting those cross-rates," said Mr Gunner.

■ The recommencement of US-Japan insurance talks was accompanied by some brave talk out of Tokyo about the yen. A senior Bank of Japan official was quoted by news agencies saying: "We believe that it is not difficult to change the current market sentiment through timely and appropriate action."

"The BOJ will act tenaciously to stabilise recent speculative currency movements," he said. His comments came against a background of market rumours in Tokyo that the BOJ had broadened the ambit of its market intervention beyond banks, to operating through brokers too.

The official predicted that the dollar was unlikely to drop below its post-war low of Y96.60, reached on July 12.

Yesterday evening US negotiators said they were making a "bit of progress" in the insurance trade talks, but said they did not expect a quick resolution.

■ Activity in the short sterling market was very quiet with the December contract trading only 12,300 lots to finish unchanged at 93.36.

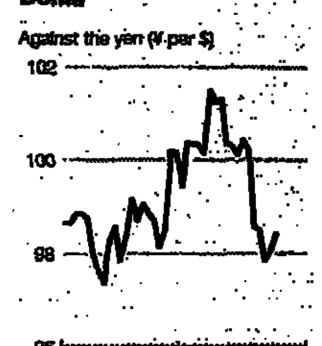
Mr Peter Osler, economist at brokers GNI, said the market was waiting for the price expectations component of the CBI's industrial trends survey, to be released tomorrow. The Bank of England recently signalled it out as an important policy indicator.

Traders said there had been an upsurge in short sterling options volatility ahead of the CBI release. "As people get nervous, so volatility goes up," said Mr Osler. Options volatility is much higher than in Germany and France, reflecting the more stable rate outlook in those countries.

Mr Parsons of CIBC said that following the recent good PPI and RPI numbers, it was possible that price expectations in the CBI survey would be revised downwards. This would help sterling interest rate markets.

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said sterling futures appeared to be too pessimistic about interest rate prospects. Six month sterling LIBOR, for example, is project to rise from 6 per cent to 7½ per cent over the next six months.

Mr Norfield said these projections should be taken "with a large pinch of salt". The current inflation environment does not bear comparison with the past, he said.



Source: Datastream

■ Pound in New York

Aug 24	—Latest—	– Prev. close –
£ spot	1.5550	1.5585
1 mth	1.5548	1.5582
3 mth	1.5504	1.5548
1 yr	1.5405	1.5429

■ OTHER CURRENCIES

Aug 24	£	$
Hungary	165.785 - 166.005	106.580 - 106.680
Iran	2716.00 - 2720.00	1748.00 - 1750.00
Kuwait	0.4623 - 0.4631	0.2972 - 0.2976
Poland	35302.1 - 35348.8	22695.0 - 22715.0
Russia	3368.30 - 3383.85	2165.00 - 2175.00
U.A.E.	5.7068 - 5.7183	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8688	+0.0862	616 - 759	16.8785	16.7864	16.8644	0.3	16.8528	0.4	-	-	115.6
Belgium	(BFr)	49.3967	+0.1552	560 - 373	49.4580	49.1010	49.3967	0.0	49.3617	0.3	49.2117	0.4	117.1
Denmark	(DKr)	9.5101	+0.0576	067 - 135	9.5152	9.4309	9.5183	-1.2	9.5458	-1.5	9.5858	-0.8	116.5
Finland	(FM)	7.8313	+0.0201	220 - 406	7.8450	7.7730	-	-	-	-	-	-	83.9
France	(FFr)	8.2162	+0.0282	130 - 193	8.2221	8.1585	8.2193	-0.4	8.2204	-0.2	8.1843	0.4	110.5
Germany	(DM)	2.3977	+0.0084	966 - 987	2.3989	2.3812	2.3979	-0.1	2.3951	0.4	2.3668	1.3	126.7
Greece	(Dr)	383.824	+1.388	676 - 972	383.969	381.008	-	-	-	-	-	-	-
Ireland	(I£)	1.0135	+0.0001	128 - 141	1.0141	1.0103	1.0136	-0.1	1.0137	-0.1	1.0141	-0.1	104.1
Italy	(L)	2437.24	+6.04	580 - 888	2442.64	2430.62	2443.24	-3.0	2457.74	-3.4	2524.74	-3.6	75.2
Luxembourg	(LFr)	49.3967	+0.1552	560 - 373	49.4580	49.1010	49.3967	0.0	49.3617	0.3	49.2117	0.4	117.1
Netherlands	(Fl)	2.6906	+0.0096	893 - 919	2.6945	2.6732	2.6906	-0.1	2.6879	0.4	2.657	1.3	121.1
Norway	(NKr)	10.5437	+0.0403	401 - 472	10.5497	10.4705	10.5407	0.3	10.5512	-0.3	10.5372	0.1	98.5
Portugal	(Es)	245.350	+0.152	147 - 553	245.582	244.352	247.08	-8.5	250.26	-8.0	-	-	-
Spain	(Pta)	199.989	+0.81	866 - 089	200.187	198.570	200.483	-3.0	201.283	-2.8	204.133	-2.1	85.8
Sweden	(SKr)	11.8735	+0.0716	654 - 816	11.9139	11.7923	11.895	-2.2	11.9455	-2.4	12.166	-2.5	73.8
Switzerland	(SFr)	2.0226	+0.0081	214 - 237	2.0238	2.0072	2.0212	0.8	2.0174	1.0	1.9859	1.8	121.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.9
Ecu	-	1.2597	+0.0086	592 - 602	1.2602	1.2528	1.2604	-0.7	1.2614	-0.5	1.2602	0.0	-
SDR†	-	0.945193	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5556	+0.002	552 - 559	1.5577	1.5506	-	-	-	-	-	-	-
Brazil	(R)	1.3738	-0.0045	720 - 756	1.3773	1.3719	-	-	-	-	-	-	-
Canada	(C$)	2.1392	-0.0016	383 - 401	2.1430	2.1331	2.1396	0.3	2.1388	0.1	2.1418	-0.1	88.0
Mexico	(New Peso)	5.2018	+0.0174	969 - 067	5.2077	5.1859	-	-	-	-	-	-	-
USA	($)	1.5558	+0.0019	555 - 561	1.5580	1.5508	1.5555	0.2	1.554	0.5	1.5415	0.9	62.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1023	-0.0088	012 - 034	2.1174	2.0918	2.1023	0.0	2.1036	-0.2	2.1217	-0.9	-
Hong Kong	(HK$)	12.0234	+0.016	203 - 265	12.0410	11.9850	12.0195	0.4	12.0184	0.2	12.0254	0.0	-
India	(Rs)	48.8132	+0.0786	999 - 265	48.8740	48.6520	-	-	-	-	-	-	-
Japan	(Y)	153.114	+0.137	030 - 198	153.480	151.900	152.764	2.7	151.909	3.1	147.164	3.9	190.2
Malaysia	(M$)	3.9650	+0.0003	634 - 665	3.9734	3.9530	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5816	-0.0058	800 - 832	2.5883	2.5749	2.5855	-1.8	2.5933	-1.8	2.6155	-1.3	-
Philippines	(Peso)	41.1899	+0.2458	097 - 701	41.4725	40.9050	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8350	+0.0073	336 - 363	5.8430	5.8164	-	-	-	-	-	-	-
Singapore	(S$)	2.3353	+0.0021	340 - 365	2.3381	2.3279	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5684	+0.0093	671 - 716	5.5745	5.5518	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1100	+0.071	931 - 269	7.1281	7.0582	-	-	-	-	-	-	-
South Korea	(Won)	1248.45	+0.47	813 - 877	1250.14	1244.52	-	-	-	-	-	-	-
Taiwan	(T$)	40.9487	+0.016	330 - 643	41.0401	40.8248	-	-	-	-	-	-	-
Thailand	(Bt)	38.8406	+0.0409	253 - 558	38.8880	38.7180	-	-	-	-	-	-	-

†SDR rate for Aug 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8425	+0.029	400 - 450	10.8675	10.7955	10.8427	0.0	10.8425	0.0	10.7575	0.8	104.7
Belgium	(BFr)	31.7500	+0.06	300 - 700	31.8500	31.5700	31.775	-0.9	31.81	-0.8	31.925	-0.6	106.2
Denmark	(DKr)	6.1127	+0.0294	117 - 137	6.1230	6.0613	6.1194	-1.3	6.1419	-1.9	6.2127	-1.6	105.1
Finland	(FM)	5.0336	+0.0088	286 - 386	5.0540	4.9957	5.0381	-0.6	5.0461	-1.0	5.1136	-1.6	78.5
France	(FFr)	5.2810	+0.0116	800 - 820	5.2985	5.2460	5.284	-0.7	5.29	-0.7	5.2525	0.5	106.8
Germany	(D)	1.5411	+0.0034	407 - 415	1.5450	1.5306	1.5413	-0.2	1.5412	0.0	1.5354	0.4	107.5
Greece	(Dr)	233.850	+0.6	800 - 900	234.200	232.160	234.17	-1.6	234.775	-1.6	237.725	-1.7	69.6
Ireland	(I£)	1.5352	+0.0018	344 - 359	1.5400	1.5302	1.534	0.9	1.5302	1.3	1.5102	1.6	-
Italy	(L)	1566.55	+1.92	580 - 730	1574.25	1562.25	1571	-3.4	1581.55	-3.8	1638.05	-4.6	75.4
Luxembourg	(LFr)	31.7500	+0.06	300 - 700	31.8500	31.5700	31.775	-0.9	31.81	-0.8	31.925	-0.6	106.2
Netherlands	(Fl)	1.7294	+0.004	289 - 299	1.7356	1.7180	1.7283	0.1	1.7281	0.1	1.7237	0.3	106.0
Norway	(NKr)	6.7770	+0.0174	760 - 780	6.7940	6.7291	6.7805	-0.6	6.7995	-1.3	6.697	1.2	96.6
Portugal	(Es)	157.700	-0.1	600 - 800	158.050	157.140	158.7	-7.6	160.575	-7.3	167.2	-6.0	95.1
Spain	(Pta)	128.540	+0.36	490 - 590	128.980	127.750	128.875	-3.1	129.555	-3.2	132.44	-3.0	80.7
Sweden	(SKr)	7.6318	+0.0365	280 - 355	7.6780	7.5834	7.6493	-2.8	7.6888	-3.0	7.8718	-3.1	79.1
Switzerland	(SFr)	1.3000	+0.0036	995 - 005	1.3025	1.2905	1.2994	0.6	1.2982	0.6	1.2883	0.9	107.2
UK	(£)	1.5558	+0.0019	555 - 561	1.5580	1.5508	1.5555	0.2	1.554	0.5	1.5415	0.9	86.9
Ecu	-	1.2351	-0.002	348 - 353	1.2418	1.2319	1.2341	1.0	1.2319	1.0	1.2242	0.9	-
SDR†	-	1.46883	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R)	0.8830	-0.004	820 - 840	0.8840	0.8820	-	-	-	-	-	-	-
Canada	(C$)	1.3750	-0.0028	747 - 753	1.3782	1.3747	1.3755	-0.4	1.3773	-0.7	1.3907	-1.1	82.5
Mexico	(New Peso)	3.3435	+0.007	410 - 460	3.3460	3.3390	3.3445	-0.4	3.3463	-0.3	3.3537	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3513	-0.0073	508 - 517	1.3609	1.3477	1.3516	-0.2	1.3523	-0.3	1.3596	-0.6	86.3
Hong Kong	(HK$)	7.7281	+0.0006	276 - 286	7.7287	7.7276	7.7279	0.0	7.7286	0.0	7.7436	-0.2	-
India	(Rs)	31.3750	+0.0112	725 - 775	31.3775	31.3700	31.46	-3.3	31.605	-2.9	-	-	-
Japan	(Y)	98.4150	-0.035	800 - 500	98.7500	97.5700	98.195	2.7	97.755	2.7	95.46	3.0	150.7
Malaysia	(M$)	2.5485	-0.003	480 - 490	2.5510	2.5480	2.5393	4.3	2.528	3.2	2.6015	-2.1	-
New Zealand	(NZ$)	1.6593	-0.0058	586 - 600	1.6639	1.6586	1.6602	-0.7	1.6621	-0.7	1.6674	-0.5	-
Philippines	(Peso)	26.4750	+0.125	000 - 500	26.6500	26.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 508	3.7506	3.7503	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.5010	-0.0005	005 - 015	1.5015	1.5005	1.4997	1.1	1.4978	0.9	1.491	0.7	-
S Africa (Com.)	(R)	3.5798	+0.0015	790 - 805	3.5895	3.5780	3.5953	-5.2	3.6238	-4.9	3.7003	-3.4	-
S Africa (Fin.)	(R)	4.5700	+0.04	600 - 800	4.5800	4.5500	4.6037	-8.9	4.6625	-8.1	-	-	-
South Korea	(Won)	802.450	-0.7	400 - 500	802.500	802.400	805.45	-4.5	808.95	-3.2	827.45	-3.1	-
Taiwan	(T$)	26.3200	-0.0228	150 - 250	26.3430	26.3150	26.34	-0.9	26.38	-0.9	-	-	-
Thailand	(Bt)	24.9650	-0.005	600 - 700	24.9700	24.9530	25.0375	-3.5	25.165	-3.2	25.645	-2.7	-

†SDR rate for Aug 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 23. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.25	16.63	4.853	2.051	4934	5.446	21.34	496.7	404.7	24.03	4.094	2.025	4.331	3.150	310.0	2.549
Denmark	(DKr)	51.93	10	8.639	2.521	1.065	2563	2.829	11.08	257.9	210.2	12.48	2.126	1.052	2.249	1.636	161.0	1.324
France	(FFr)	60.11	11.57	10	2.917	1.233	2966	3.274	12.83	298.6	243.3	14.45	2.461	1.217	2.603	1.894	186.3	1.532
Germany	(DM)	20.60	3.967	3.428	1	0.423	1017	1.122	4.397	102.3	83.40	4.952	0.844	0.417	0.892	0.649	63.87	0.525
Ireland	(I£)	48.76	9.388	8.111	2.366	1	2406	2.655	10.40	242.2	197.3	11.72	1.996	0.987	2.112	1.536	151.1	1.243
Italy	(L)	2.027	0.390	0.337	0.098	0.042	100.	0.110	0.432	10.07	8.203	0.487	0.083	0.041	0.088	0.064	6.282	0.052
Netherlands	(Fl)	18.36	3.535	3.054	0.891	0.377	905.9	1	3.918	91.19	74.31	4.413	0.752	0.372	0.795	0.578	56.91	0.468
Norway	(NKr)	46.86	9.023	7.795	2.274	0.961	2312	2.552	10	232.7	189.7	11.26	1.918	0.949	2.029	1.476	145.3	1.194
Portugal	(Es)	20.13	3.877	3.349	0.977	0.413	993.5	1.097	4.297	100.	81.48	4.839	0.824	0.408	0.872	0.634	62.41	0.513
Spain	(Pta)	24.71	4.757	4.110	1.198	0.507	1219	1.346	5.273	122.7	100.	5.938	1.012	0.500	1.070	0.778	76.59	0.630
Sweden	(SKr)	41.61	8.012	6.922	2.019	0.853	2053	2.266	8.880	206.7	168.4	10	1.703	0.842	1.802	1.311	129.0	1.061
Switzerland	(SFr)	24.43	4.703	4.063	1.185	0.501	1205	1.330	5.213	121.3	98.86	5.870	1	0.495	1.058	0.770	75.72	0.623
UK	(£)	49.39	9.510	8.216	2.397	1.013	2437	2.690	10.54	245.3	199.9	11.87	2.022	1	2.139	1.556	153.1	1.259
Canada	(C$)	23.09	4.446	3.841	1.121	0.474	1139	1.258	4.928	114.7	93.45	5.549	0.945	0.468	1	0.727	71.58	0.589
US	($)	31.74	6.112	5.280	1.540	0.651	1566	1.729	6.774	157.6	128.5	7.629	1.299	0.643	1.375	1	98.39	0.809
Japan	(Y)	322.6	62.12	53.66	15.66	6.617	15918	17.57	68.84	1602	1306	77.53	13.21	6.532	13.97	10.16	1000.	8.223
Ecu		39.23	7.554	6.526	1.904	0.805	1936	2.137	8.372	194.8	158.8	9.428	1.606	0.794	1.699	1.236	121.6	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6524	0.6487	-0.0036	0.6533	0.6474	34,125	106,123
Dec	0.6480	0.6491	-0.0033	0.6495	0.6477	1,158	7,622
Mar	-	0.6495	-	-	0.6492	4	1,678

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0221	1.0174	-0.0048	1.0267	1.0152	19,057	64,369
Dec	1.0295	1.0250	-0.0043	1.0305	1.0230	1,567	7,934
Mar	-	1.0371	-	-	-	36	1,727

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7732	0.7698	-0.0036	0.7752	0.7680	15,998	43,427
Dec	0.7707	0.7711	-0.0035	0.7717	0.7692	574	2,974
Mar	-	0.7769	-	-	-	1	59

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5544	1.5530	-0.0024	1.5562	1.5614	9,362	37,736
Dec	1.5490	1.5510	-0.0028	1.5510	1.5490	331	2,444
Mar	-	1.5470	-	-	1.5470	2	173

EMS EUROPEAN CURRENCY UNIT RATES

Aug 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14467	+0.00178	-2.37	5.85	-
Belgium	40.2123	39.3996	+0.0506	-2.02	5.47	15
Germany	1.94964	1.91026	+0.00141	-2.02	5.47	-
Ireland	0.808628	0.806949	-0.003602	-0.21	3.56	1
France	6.53883	6.54948	+0.00677	0.16	3.17	-1
Portugal	192.854	195.457	-0.121	1.35	1.97	-9
Denmark	7.43679	7.57299	+0.02127	1.83	1.48	-13
Spain	154.250	159.405	+0.03	3.34	0.00	-23
NON ERM MEMBERS						
Greece	264.513	289.850	+0.168	9.58	-5.69	-
Italy	1793.19	1942.42	-4.42	8.32	-4.60	-
UK	0.786749	0.797332	-0.003678	1.35	1.97	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.450	-	-	10.00	-	-	0.05
1.475	7.58	7.62	7.70	-	0.04	0.20
1.500	5.18	5.38	5.60	-	0.25	0.55
1.525	2.90	3.39	3.77	0.20	0.73	1.19
1.550	1.18	1.88	2.35	0.90	1.65	2.19
1.575	0.29	0.88	1.33	2.50	3.09	3.60

Previous day's vol., Calls 9,986 Puts 9,361 . Prev. day's open int., Calls 609,535 Puts 447,400

WORLD INTEREST RATES

MONEY RATES

August 24	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅛	5⅞	6¼	6½	7.40	4.50	-
week ago	4¾	5⅛	5¾	5⅞	6¼	7.40	4.50	-
France	5⅛	5½	5¾	5⅞	6¼	5.00	-	6.75
week ago	5⅛	5½	5¾	5⅞	6⅛	5.00	-	6.75
Germany	4.88	4.95	4.95	5.00	5.26	6.00	4.50	4.86
week ago	4.88	4.95	4.95	5.00	5.25	6.00	4.50	4.85
Ireland	4⅞	5½	6⅛	6⅝	7¼	-	-	6.25
week ago	5	5½	5⅞	6⅛	6¾	-	-	6.25
Italy	8½	8⅛	8¾	9½	10⅛	-	7.50	8.45
week ago	8¾	8⅛	9⅛	9⅞	10⅞	-	7.50	8.20
Netherlands	4.85	4.93	4.98	5.11	5.42	-	5.25	-
week ago	4.85	4.93	4.96	5.08	5.37	-	5.25	-
Switzerland	3⅞	4⅛	4¼	4½	4⅞	6.625	3.50	-
week ago	3⅞	4⅛	4⅛	4½	4⅞	6.625	3.50	-
US	4⅝	4¾	4⅞	5¼	5¾	-	4.00	-
week ago	4⅝	4¾	4⅞	5¼	5⅞	-	4.00	-
Japan	2¼	2⅛	2¼	2⅜	2⅞	-	1.75	-
week ago	2¼	2⅛	2⅜	2⅜	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅞	5	5⅜	5⅞	-	-	-
week ago	-	4⅞	5	5¼	5¾	-	-	-
US Dollar CDs	-	4.62	4.77	5.06	5.59	-	-	-
week ago	-	4.62	4.78	5.00	5.50	-	-	-
SDR Linked Ds	-	4⅛	4½	4⅝	4¾	-	-	-
week ago	-	3⅞	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 5⅝; 6 mths: 6¼; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4⅞	5 1/16 - 4 15/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6⅛ - 6	6⅞ - 6¾
Danish Krone	5⅛ - 4⅞	5¾ - 5⅝	6 - 5¾	6⅝ - 6⅜	7⅜ - 7⅛	7⅜ - 7⅛
D-Mark	4⅞ - 4¾	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4⅞	5 1/16 - 4 15/16	5⅞ - 5⅝
Dutch Guilder	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4⅞ - 4¾	4 15/16 - 4 13/16	5⅛ - 5	5⅜ - 5¼
French Franc	5⅜ - 5¼	5 5/16 - 5 3/16	5½ - 5⅜	5⅝ - 5½	5 13/16 - 5 11/16	6⅛ - 6
Portuguese Esc.	12¼ - 11⅞	10½ - 10⅛	12 - 11½	12⅛ - 11⅝	12¼ - 11¾	12⅛ - 11⅞
Spanish Peseta	7½ - 7⅜	7⅝ - 7½	7⅞ - 7¾	7⅞ - 7¾	8¼ - 8⅛	8⅞ - 8¾
Sterling	5⅛ - 4⅞	4 13/16 - 4¾	4 15/16 - 4 13/16	5½ - 5⅜	6 - 5⅞	6 13/16 - 6 11/16
Swiss Franc	4⅛ - 3⅞	4⅛ - 3⅞	4¼ - 4⅛	4⅝ - 4½	4½ - 4⅜	4 13/16 - 4 11/16
Can. Dollar	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛	5½ - 5⅜	5 13/16 - 5 11/16	6⅞ - 6¾
US Dollar	4 13/16 - 4⅝	4¾ - 4⅝	4 13/16 - 4 11/16	5 - 4⅞	5⅝ - 5½	5 13/16 - 5 11/16
Italian Lira	9 - 7½	8⅛ - 8	8⅜ - 8¼	8¾ - 8⅝	9 13/16 - 9⅝	10⅜ - 10¼
Yen	2⅜ - 2⅛	2⅜ - 2⅛	2 5/16 - 2⅛	2⅜ - 2¼	2⅝ - 2⅜	2 13/16 - 2 11/16
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4 1/16 - 4⅛	4⅜ - 4⅛	5⅛ - 5	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.28	+0.02	94.30	94.27	10,391	48,162
Dec	93.82	93.88	+0.08	93.88	93.81	17,657	43,373
Mar	93.52	93.54	+0.05	93.56	93.49	6,962	29,577
Jun	93.24	93.23	+0.02	93.26	93.20	2,997	27,325

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.92	94.93	+0.04	94.92	94.92	183	2840
Dec	94.24	94.27	+0.05	94.24	94.24	98	1982
Mar	93.97	93.98	+0.04	93.97	93.97	100	1471
Jun		93.65	+0.03			0	354

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.03	95.01	-0.02	95.03	95.00	12775	146565
Dec	94.85	94.82	-0.03	94.85	94.80	24583	167128
Mar	94.54	94.52	-0.02	94.54	94.49	16479	163703
Jun	94.16	94.15	-0.02	94.17	94.11	10659	102076

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.70	90.76	+0.11	90.82	90.66	7275	24842
Dec	89.59	89.84	+0.27	89.87	89.55	9058	38467
Mar	89.10	89.30	+0.28	89.34	89.05	942	17125
Jun	88.66	88.95	+0.25	88.96	88.66	1745	13030

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.59	95.59	-	95.61	95.58	1876	20833
Dec	95.32	95.32	+0.01	95.36	95.27	1854	13262
Mar	95.03	95.06	+0.02	95.06	95.02	340	12037
Jun	94.73	94.75	+0.02	94.75	94.73	421	5517

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.90	93.95	+0.06	93.95	93.87	1597	10021
Dec	93.45	93.45	+0.01	93.46	93.42	567	7294
Mar	93.11	93.11	-	93.13	93.10	198	4458
Jun	92.74	92.74	-	92.74	92.72	64	1442

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.90	94.92	+0.02	94.94	94.90	57,131	395,203
Dec	94.23	94.24	+0.02	94.28	94.22	60,933	458,609
Mar	93.95	93.98	+0.03	94.02	93.95	32,609	345,091

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.31	95.32	+0.02	95.34	95.31	1,439	15,065
Dec	94.79	94.79	+0.02	94.81	94.78	275	9,926
Mar	-	94.49	+0.05	94.50	-	60	4,024

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9500	0.07	0.05	0.07	0.09	0.06	0.23	0.25	0.27
9525	0.01	0.01	0.02	0.03	0.25	0.44	0.45	0.46
9550	0	0	0	0.01	0.49	0.68	0.68	0.69

Est. vol. total, Calls 6075 Puts 6165. Previous day's open int., Calls 248634 Puts 175298

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.11	0.08	0.13	0.02	0.26	0.57
9575	0.02	0.03	0.07	0.18	0.46	0.76
9600	0	0.01	0.03	0.41	0.69	0.97

Est. vol. total, Calls 300 Puts 200. Previous day's open int., Calls 1606 Puts 1515

UK INTEREST RATES

LONDON MONEY RATES

Aug 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅛ - 2	4 13/16 - 4 3/16	5 - 4⅞	5½ - 5⅜	6 - 5⅞	7 - 6⅞
Sterling CDs	-	-	4 15/16 - 4⅞	5⅜ - 5 5/16	5⅞ - 5 13/16	6¾ - 6⅝
Treasury Bills	-	-	4⅞ - 4 13/16	5 5/16 - 5¼	-	-
Bank Bills	-	-	4⅞ - 4 13/16	5⅜ - 5 5/16	5⅞ - 5 13/16	-
Local authority deps.	4 13/16 - 4 13/16	4⅝ - 4½	4 15/16 - 4⅞	5 7/16 - 5 5/16	5 15/16 - 5 13/16	6⅞ - 6¾
Discount Market deps	5¼ - 4⅝	4⅝ - 4 11/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3⅜	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.60pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.28	94.26	-0.01	94.28	94.26	6217	90996
Dec	93.37	93.36	-	93.38	93.33	12303	167563
Mar	92.68	92.66	-	92.68	92.62	5237	66647
Jun	92.12	92.06	-0.03	92.12	92.06	2106	52775

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.15	0.04	0.03	0.14	0.93	1.62
9450	0.04	0.01	0.01	0.28	1.15	1.85
9475	0	0	0.01	0.49	1.39	2.10

Est. vol. total, Calls 4096 Puts 1889. Previous day's open int., Calls 347758 Puts 271189

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 24 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Aug 24 / Frs.)

[illegible]

DENMARK (Aug 24 / Kr)

[illegible]

FINLAND (Aug 24 / Mks)

[illegible]

FRANCE (Aug 24 / Frs.)

[illegible]

GERMANY (Aug 24 / Dm.)

[illegible]

ITALY (Aug 24 / Lire)

[illegible]

NETHERLANDS (Aug 24 / Fls.)

[illegible]

NORWAY (Aug 24 / Kroner)

[illegible]

SPAIN (Aug 24 / Pts.)

[illegible]

SWEDEN (Aug 24 / Kroner)

[illegible]

SWITZERLAND (Aug 24 / Frs.)

[illegible]

PACIFIC

JAPAN (Aug 24 / Yen)

[illegible]

AUSTRALIA (Aug 24 / Aus$)

[illegible]

HONG KONG (Aug 24 / H.K.$)

[illegible]

MALAYSIA (Aug 24 / MYR)

[illegible]

SINGAPORE (Aug 24 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 24 / Can $)

4 pm close

[illegible]

MONTREAL (Aug 24 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Aug 24 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (Italy). ♦ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 24, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	6.4m	785	-1	Toshiba	3.7m	733	-7
Nissan Motor	6.3m	783	+3	Ricoh	3.5m	955	+12
Nippon Steel	5.4m	370	+8	Nomura Sec	3.0m	2,240	-20
Nikko Sec	4.1m	1,170	+10	Hitachi	3.0m	978	
Kao Corp	3.9m	1,200		Asahi Bank	2.6m	1,180	

INDICES

	Aug 24	Aug 23	Aug 22	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	20346.81	20357.87	25470.40	16/2	17758.90	20/4
Australia							
All Ordinaries(1/1/80)	2061.1	2051.6	2063.6	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1030.8	1024.5	1031.1	1136.10	3/2	894.80	5/5
Austria							
Credit Aktien(30/12/84)	417.93	412.54	414.22	480.88	2/2	398.97	22/6
Traded Index(2/1/91)	1107.53	1099.23	1097.38	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1456.93	1450.75	1439.18	1542.65	9/2	1393.96	13/7
Brazil							
Bovespa (29/12/83)	(u)	53040.0	53858.0	53858.00	22/8	3800.90	3/1
Canada							
Metals Mins♦(1975)	(u)	3840.14	3830.72	3985.31	3/6	3299.85	20/4
Composite♦ (1975)	(u)	4211.70	4188.40	4609.90	23/3	3959.80	24/6
Portfolio§§ (4/1/83)	(u)	2012.57	1994.92	2182.89	1/2	1053.17	20/7
Chile							
IPSA Gen (31/12/80)	(u)	4638.7	4611.3	4867.80	4/2	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	361.17	360.27	363.27	415.79	2/2	368.80	22/6
Finland							
HEX General(28/12/90)	1889.2	1883.5	1888.9	1972.09	4/2	1881.10	3/1
France							
SBF 250 (31/12/90)	1339.94	1338.89	1328.66	1585.20	2/2	1265.36	4/7
CAC 40(31/12/87)	2006.28	2000.63	1972.63	2355.93	2/2	1858.18	4/7
Germany							
FAZ Aktien(31/12/58)	804.52	796.34	806.96	869.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2284.70	2260.70	2293.3	2465.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2126.37	2107.87	2123.79	2271.11	18/5	1968.82	20/6
Greece							
Athens SE(31/12/80)	862.08	871.87	873.00	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9238.69	9234.06	9457.33	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4429.0	(c)	(c)	4534.30	18/8	3454.09	5/1
Indonesia							
Jakarta Comp.(10/8/82)	498.54	498.43	492.42	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1824.21	1813.86	1813.72	2062.16	20/1	1804.14	1/7
Italy							
Banca Comm Ital (1972)	688.32	675.55	676.14	817.17	10/5	588.86	10/1
MIB General (4/1/94)	1112.0	1091.0	1092.0	1319.80	10/5	944.09	10/1
Japan							
Nikkei 225 (16/5/49)	20511.60	20380.78	20394.58	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	298.35	297.00	297.78	311.71	13/6	268.22	4/1
Topix (4/1/68)	1638.70	1631.78	1637.45	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2405.56	2396.99	2401.14	2542.85	8/7	1873.38	4/1
Malaysia							
KLSE Comp.(4/4/86)	1141.57	1148.35	1150.20	1314.46	5/1	926.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2755.53	2758.97	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	434.0	430.6	428.6	454.80	31/1	406.30	21/6
CBS All Shr (End 83)	275.3	273.2	271.9	294.80	31/1	257.80	21/6
New Zealand							
Cap. 40 (1/7/86)	2102.71	2081.14	2081.72	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1114.92	1102.99	1110.17	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	3124.11	3105.85	3045.17	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2907.1	2908.4	2910.5	3228.69	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	565.60	568.98	571.82	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2281.0▼	2246.0	2246.0	2331.08	4/1	1749.00	14/2
JSE Ind. (28/9/78)	6647.0▼	6617.0	6593.0	6767.00	15/6	5446.89	19/1
South Korea							
KoreaCmpEx(4/1/80)**	943.64	951.51	962.96	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	306.15	304.24	303.21	358.31	31/1	291.43	6/7
Sweden							
AffarsvarldsGen (1/2/37)	1436.6	1411.3	1421.3	1669.90	31/1	1334.78	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1225.12	1219.48	1219.33	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	911.07	907.08	908.85	1083.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6862.14	6798.19	6838.60	6944.91	5/8	5194.63	15/3
Thailand							
Bangkok SET (30/4/75)	1474.58	1471.85	1489.56	1753.73	4/1	1186.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	(u)	25204.9	26782.6	28893.80	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	538.7*	536.8	637.4	641.90	1/2	591.99	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1369.31	1347.78	1341.39	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1208.28	1199.77	1195.18	1311.01	2/2	1143.08	21/6
JCapelDrgns (31/12/88)	(u)	328.12	330.90	365.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	185.64	186.51	184.84	196.51	23/8	141.85	21/4

** Sat Aug 20: Taiwan Weighted Price 6805.84; Korea Comp Ex 947.09. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000, JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 24 - 2132.98 +11.73

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2012.0	2016.0	+1.0	2024.0	2003.0	16,206	23,372
Sep	2021.5	2024.0	+1.5	2031.0	2012.0	2,949	30,074
Oct	2031.0	2033.0	+1.0	2031.0	2031.0	-	1,625

Open interest figures for previous day.

US INDICES

Dow Jones	Aug 23	Aug 22	Aug 19	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3775.83	3751.22	3755.11	3978.36 (31/1)	97.64 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.58	97.60	97.74	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1586.34	1578.52	1582.20	1862.29 (2/3)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	187.71	186.78	187.78	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3804.64 (3771.94) Low 3745.07 (3722.41) (Theoretical♦)
Day's high 3791.04 (3755.11) Low 3751.22 (3737.63) (Actual♦)

Standard and Poors	Aug 23	Aug 22	Aug 19	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite †	464.51	462.32	463.69	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials▼	544.01	541.41	542.91	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.84	45.50	45.49	48.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	256.44	255.27	255.81	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	446.28	445.77	445.45	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	747.96	742.23	742.43	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 19	Aug 12	Aug 5	Year ago
Dow Jones Ind. Div. Yield	2.73	2.70	2.72	2.82
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.55	23.13	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	465.20	465.90	+0.70	466.70	464.85	50,613	196,435
Dec	-	467.70	-	-	-	4,590	29,737
Mar	-	470.95	-	-	-	12	4,263

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	6,533,100	65⅞	-¼
McDonalds	3,971,900	26⅝	+⅛
Philip Morris	3,456,200	58⅝	+1⅜
Compaq	3,426,200	38¼	-1¾
IBM	2,911,300	67⅝	-⅞
Pepsico	2,794,000	34	+½
Nova Corp	2,492,800	10⅛	+¾
Gen Electric	2,419,400	48¾	+1
Global Marine	2,409,900	3¾	——
Westinghouse	2,359,000	12¾	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 23	Aug 22	Aug 19
New York SE	307.221	237.183	276.632
Amex	17.735	14.000	13.965
NASDAQ	305.252	239.990	256.414
NYSE			
Issues Traded	2,886	2,862	2,844
Rises	1,339	926	1,141
Falls	764	1,225	920
Unchanged	783	711	783
New Highs	78	46	37
New Lows	40	46	31

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close August 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	13⅜	AAR	0.48	3.5	458	138	13⅞	13⅝	13¾	+⅛
16⅞	12⅝	A L Labs A	0.18	1.2	35	262	15¾	15⅞	15⅞	-⅛
75¼	57⅝	AMP	1.68	2.3	25	2645	73⅝	72⅜	72½	-1
72¾	52⅛	AMR			100	6235	57⅜	56⅞	57¼	+⅜
5	3⅜	ARX			13	42	4	3⅞	4	
58⅛	38⅝	ASA x	2.00	4.2	31	887	47½	46⅝	47⅜	+⅞
31⅜	25⅜	AbbtL	0.76	2.5	17	8084	30⅝	30	30⅝	+⅜
13¾	11⅜	AbtIbi Pr	0.50	3.6	10	18	u13¾	13½	13¾	+¼
23⅝	17¾	ABM Ind	0.52	2.3		30	22⅞	21⅞	22⅞	+½
14⅞	11⅛	Acptncsln			25	135	14	14	14	
31	22¾	ACE Ltd	0.44	1.9	3	363	23	d22⅞	22⅞	-¼
12½	9⅝	ACM Gvt In	1.09	11.2		599	9⅞	9¾	9¾	
10⅛	7⅜	ACM GvOpp	0.80	10.6		273	7⅝	7½	7½	
10⅝	7½	ACM Gvt Sp	0.98	12.4		445	7¾	7⅝	7¾	
12	8¾	ACM Gvt Se	1.09	12.2		649	9	8⅞	9	+⅛
11¾	8⅜	ACM Man	1.08	12.3		400	8¾	8½	8¾	+¼
9¼	8	ACM Managd	0.72	9.0		33	8⅛	d8	8	
15½	8¾	AcmeCly	0.44	3.6	15	125	12⅜	12¼	12⅜	
9⅞	6½	Acme Elect			7	64	9¼	9	9¼	+¼
28¾	23	Acordia	0.60	2.3	13	17	26¼	26⅛	26¼	
12	5¾	Actava	0.35	2.8	3	3235	u12⅞	12	12¾	+⅞
15⅝	11¼	Acuson			101	2051	13¼	13	13¼	+⅛
18⅜	16½	Adams Expr x	0.48	2.8	0	115	17⅜	17⅛	17¼	
64	46½	Ad Micro	3.00	5.1		409	60½	59⅜	59⅜	-⅛
31¾	16¾	AdvMic	3.00	10.4	12	4399	29⅞	28⅞	28⅞	-¼
6⅞	5	Advest Grp	0.16	3.0	8	7	5⅜	5⅜	5⅜	
20	15	Advo Inc	0.10	0.6	119	478	17⅞	17¾	17⅞	
57¾	49⅜	Aegon ADR	2.95	5.1	12	8	u58	57¾	57⅞	+⅛
65¾	49	Aetnal	2.76	5.4	7	1511	51	50¼	51	+⅞
35¾	25¼	Aflac x	0.48	1.3	15	1041	u35¾	35¼	35⅜	-⅛
22¾	18⅜	Ahmnan	0.88	4.1	15	4146	22⅛	21⅝	21⅝	-½
4	1⅝	Aileen Inc			1	6	1⅝	1⅝	1⅝	-⅛
50⅛	38⅞	AirPrC	0.98	2.0	27	1161	49⅜	47⅞	49¼	+1⅜
39⅞	26¼	Airbne Frt x	0.30	1.1	16	3571	28¾	27½	28	+⅝

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Continued on next page

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Hagemeyer may lift share capital

هكذا من الاصل

4 pm close August 24

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
30¼	25	StJoeLP	1.80	6.4	14	14	28	28	28	+⅛
45	37¾	StPaul	1.50	3.5	4	1868	43¾	42¼	42¾	-1⅛
9⅞	5	Salant Crp			6	171	5½	5⅜	5½	
49⅞	33⅝	Sallie Mae	1.40	3.8		[illegible]	37⅜	36⅝	36⅞	+1½
13⅞	11⅞	Salomon Br	0.32	2.6		127	12½	12⅜	12½	
52¾	41½	Salomon	0.64	1.5	5	1153	43⅝	42⅞	43⅝	+⅛
25	17½	SnDgGE	1.52	7.6	10	407	19⅞	19⅝	19⅝	+¼
10	7½	SantaFeEPa	0.16	1.7	9	238	9½	9⅜	9⅜	
15¾	13½	SFeGd				2506	14⅞	14⅜	14⅞	+½
40	31½	SantaFePac	2.80	8.2	18	33	34¼	34	34⅛	-⅛
26¼	18½	SanFeP	0.10	0.5	101	1243	19⅝	19¼	19½	+⅜
28	19⅞	SaraLee	0.64	2.8	15	9724	23	22⅝	23	+¼
50⅛	42⅛	Scana Corp	2.82	6.3	12	557	45	44⅝	45	+⅛
20½	12½	Scecorp	1.00	7.4	9	2898	13½	13¼	13½	+¼
40½	31¼	SchaeferP			29	67	38	37¼	38	+¼
71⅞	54½	SchrPl	2.04	2.9	18	6825	70¾	69	70	+⅛
63	50¼	Schlmb	1.20	2.1	23	4079	57⅛	56¼	57⅛	+½
33⅞	23¼	Schwab(C)	0.28	1.0	13	941	28¼	28⅛	28⅛	-⅛
10¼	6⅛	Schwitzer			25	24	8¾	8½	8¾	+⅛
48⅞	24⅞	SciAtl	0.12	0.3	87	3129	43¾	42¼	43⅝	+⅝
16⅞	13	Scotsman	0.10	0.6	14	365	15½	15½	15½	
63⅝	37¼	ScottP x	0.80	1.3	17	2806	u63¾	61⅞	63¾	+2⅜
28⅝	18⅝	ScudderNAsF	0.21	0.9		69	24⅛	24⅛	24⅛	+⅛
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close August 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close August 24

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

Steadiness in bonds, firmer dollar lift Dow

Wall Street

A rally by US stocks carried over into a second session yesterday morning thanks to a steady bond market and a firmer dollar, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 24.60 higher at 3,800.43 as the market tested strong technical resistance at the 3,800 level. The more broadly based Standard & Poor's 500 was 1.69 ahead at 466.20.

Volume on the Big Board was relatively light, with only 163m shares exchanged by early afternoon. Advancing issues led declines by a five-to-four margin.

In the secondary markets, the American SE composite was up 0.71 at 446.99, while the Nasdaq composite added 1.56 to 749.54.

The sustained advance by share prices was somewhat surprising, given the absence of any market-moving fundamental developments. Indeed, the day's main economic news was unfavourable to those investors looking for evidence of continued growth in spite of the recent upturn in interest rates.

The Commerce Department announced that factory orders of durable goods last month slumped 4.2 per cent, raising the eyebrows of most analysts, who had forecast a slight gain.

But most of the decline stemmed from normal summertime shutdowns of automobile assembly plants and a big drop in the volatile aircraft sector. Thus, the significance of the headline figure was generally dismissed.

Still, the data were enough to keep inflation-sensitive bonds in positive territory during the morning. The dollar, which posted decent gains against the yen and D-Mark after stabilising the previous day, lent additional support to equities.

Yesterday, investors could not rely on capital goods issues to carry the rest of the market forward. The sector grew quiet after a strong outing during the previous session, with the news on durable goods snuffing out any lingering enthusiasm generated by Deere's robust quarterly performance.

Among the Dow industrials, two other cyclical stocks stepped to the fore. Alcoa advanced $1⅛ to $78½ while International Paper added $1½ to $72⅞.

On the negative side, IBM was set back $⅝ to $66⅝ a day after announcing plans to slash prices on personal computers used by businesses.

Blockbuster Entertainment was trading down $1⅜ at $26⅝ after its board reaffirmed its approval of plans to merge with Viacom. The news pushed Viacom's A shares $1¼ lower to $39.

In retailing, Best Buy gained $2 to $33⅞ on a "strong buy" recommendation by Alex Brown & Sons.

Morgan Stanley, the investment bank, was marked down $2 to $67⅛. The company reported a 46 per cent downturn in second quarter profits after Tuesday's close.

On the Nasdaq, Oracle climbed $1⅝ to $40⅞ after Merrill Lynch raised its estimate of the company's fiscal 1995 net income.

Amgen gave back $2 to $54 after appreciating on Tuesday in anticipation of a imminent takeover in the biotechnology sector. At least two Wall Street securities houses downgraded the stock on the basis of its high price.

Canada

Toronto stocks got off to a buoyant start, buoyed by firmer debt markets, positive bank earnings and higher gold prices.

The TSE 300 composite index was up 21.12 to 4,232.80 in volume of 23.47m shares valued at C$315m, as sharp losses in transportation were more than offset by gains in precious metals, financial services and pipelines.

Canadian bonds strengthened on the firm Canadian dollar, which was trading at around C$1.3734 from Tuesday's close at C$1.3768 on US currency gains.

Of 14 sub-indices, nine were stronger with financial services the dominant group, recording a climb of 33.34, or 1.08 per cent, to 3122.69.

Mexico

Mexican share prices fell after a slight rise in short term domestic interest rates. The IPC index lost 10.81 to 2,744.72 in early trading and had doubled its losses by midsession.

Venezuela

Caracas closed slightly down with the market struggling to regain the upward tendency of the last few weeks. The Merinvest composite index closed 1.52 or 1.05 per cent lower at 142.98.

South Africa ignores interest rate fears

Johannesburg registered strong gains in steady trade as it reacted to gold price strength and firmer world equity markets.

The overall index added 39 at 5,897, industrials were 33 better at 6,650 and golds rose 39 to 2,284, up 1.7 per cent.

Dealers said that sharply weaker local bonds had very little effect on equities, in spite of earlier fears that negative sentiment could spill over into shares.

The new listing, Housewares, rallied to a 300 cent high before settling back to close 10 cents higher at 290 cents. It was issued at 200 cents on Monday.

Among gold shares, Vaal Reefs added R5 at R419 and Kloof rose R1.50 to R67.50.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Aug. 19 1994	% Change over week	% Change on Dec '93	Local currency terms: Aug. 19 1994	% Change over week	% Change on Dec '93
Latin America	(209)	734.68	+5.9	+12.9			
Argentina	(25)	921.99	+1.7	-7.3	565,756.15	+1.7	-7.3
Brazil	(57)	395.99	+14.7	+70.2	1,324,674,019	+13.2	+1,203.5
Chile	(25)	693.22	+3.0	+25.6	1,161.59	+2.7	+21.9
Colombia[1]	(11)	895.45	-5.0	+38.9	1,293.52	-5.0	+39.5
Mexico	(68)	969.41	+3.3	-3.7	1,411.94	+2.7	+4.6
Peru[2]	(11)	141.29	+1.4	+16.8	190.07	-0.4	+19.5
Venezuela[3]	(12)	550.99	+4.4	-6.9	2,153.31	+4.4	+51.5
Asia	(557)	276.91	+3.0	-4.9			
China[4]	(18)	102.46	-5.4	-31.4	111.13	-5.5	-32.3
South Korea[5]	(156)	130.66	+0.8	+10.6	138.02	+0.7	+10.0
Philippines	(18)	316.96	+0.8	-6.9	392.45	+0.0	-11.6
Taiwan, China[6]	(90)	152.09	+2.0	+12.5	151.19	+1.9	+13.0
India[7]	(76)	140.54	-1.0	+20.7	155.47	-1.0	+20.7
Indonesia[8]	(37)	106.08	+4.0	-14.9	124.49	+4.0	-12.6
Malaysia	(105)	312.03	+3.7	-8.0	293.18	+3.3	-13.0
Pakistan[9]	(15)	399.76	-0.2	+3.0	549.71	-1.0	+4.1
Sri Lanka[10]	(5)	184.89	+1.5	+4.3	197.43	+0.8	+3.4
Thailand	(55)	428.05	+5.0	-10.4	425.24	+5.0	-12.0
Euro/Mid East	(125)	128.68	+4.4	-24.0			
Greece	(25)	229.08	-1.9	+0.6	361.87	-2.8	-6.9
Hungary[11]	(5)	195.91	+2.1	+17.6	254.64	+1.7	+26.1
Jordan	(13)	163.12	-0.9	-1.5	233.54	-0.9	-2.5
Poland[12]	(12)	773.69	+9.5	-5.4	1,114.14	+8.5	+0.9
Portugal	(25)	125.38	+0.8	+10.2	136.16	-0.1	-1.4
Turkey[13]	(40)	132.27	+9.2	-37.8	1,942.95	+9.7	+33.6
Zimbabwe[14]	(5)	249.77	+2.1	+23.6	297.42	+2.1	+39.2
Composite	(891)	361.93	+4.5	+1.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jun 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Recent weeks have been dominated by elections in the world's emerging markets, polling having taken place in both Mexico and Sri Lanka. Investors are now keeping a close watch on the performance of Brazil, which has presidential elections in October.

The São Paulo stock market has been encouraged this week by new opinion polls which have suggested that the former economy minister, Mr Fernando Henrique Cardoso, has extended his lead over the other main candidate, Mr Luiz Inacio Lula da Silva.

A period of profit-taking is expected in the short term, given the market's strength in recent sessions. However, over the longer term analysts remain positive on Brazilian stocks, helped by positive economic signals, particularly in the form of lower forecasts for inflation data covering August and September.

EUROPE

Selective interest revives banking sector

Interest in the underperforming banking sector, selective in Zurich but more general in Frankfurt, was a key feature in yesterday's bourse recovery, *writes Our Markets Staff.*

Mr Robert Law, a banking analyst at Lehman Brothers in London, said this week that there were now strong valuation arguments for selected bank stocks: bank p/e and yield relatives, he said, had returned to 1980s levels and the fall in bank shares had been almost indiscriminate.

FRANKFURT rose in moderate activity, turnover only easing from DM7bn to DM6.9bn as the Dax index increased 18.50 to 2,126.37, more than incorporating Tuesday's post-bourse gains, and climbed again after hours to an Ibis-indicated 2,132.98.

Investor interest in banks, along with consumer and building stocks, took Deutsche Bank up DM15.50 to DM701.50, Dresdner by DM10 to DM398.50 and Bayernhypo by DM7.50 to DM410.

Interest in the chemicals sector was positive, but relatively muted, Hoechst leading after its 39 per cent rise in first half pre-tax profits with a gain of DM3.50 to DM347.50. In pharmaceuticals, however, Schering bounced back strongly after coming under sharp recent pressure on news of an official probe into some of its drugs, recovering another DM24 to DM912.50.

FT-SE Actuaries Share Indices

Aug 24	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1351.38	1352.33	1355.96	1358.86	1358.04	1360.22	1359.21	1359.31
FT-SE Eurotrack 200	1413.18	1414.09	1417.37	1418.52	1419.50	1419.40	1420.15	1419.22

	Aug 23	Aug 22	Aug 19	Aug 18	Aug 17
FT-SE Eurotrack 100	1347.78	1341.33	1352.29	1352.63	1362.77
FT-SE Eurotrack 200	1408.10	1400.80	1413.21	1415.01	1428.60

Base 1000 (26/10/90); Highday: 100 - 1360.65; 200 - 1421.58 Lowday: 100 - 1351.38 200 - 1412.83 † Partial

PARIS tracked bond futures and ended a little higher, the CAC-40 index rising 5.66 to 2,006.29 in turnover of FFr3.2bn. Banks mostly did well, Suez rising FFr3.50 to FFr261 and CCF FFr4 to FFr213.50.

The losers included Canal Plus, down FFr16 to FFr911 after Les Echos, the newspaper, said that Mr Nicolas Sarkozy, France's new communications minister, was expected to put stricter conditions on the operations of France's main coded television channel.

MILAN ended higher, the Comit index rising 12.77 to 688.32, but political factors continued to influence shares. Investors were waiting for Friday's cabinet meeting at which draft 1995 budget proposals are due to be discussed.

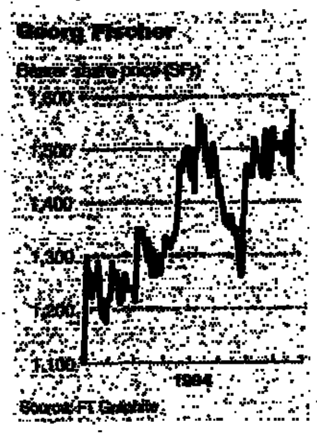
As a result, short-term buying was evident in most sectors, although insurance and telecom stocks proved to be notable exceptions.

Insurers were popular among foreign and domestic institutional investors who were said to be bargain hunting after the heavy losses suffered by the sector in the market's recent correction. The sector also benefited from speculation that it could gain from budget changes. Generali, for example, was up 1.1 per cent at L41,771 and RAS gained 1.4 per cent at L25,849.

ZURICH drew support from a firmer dollar, with the SMI index advancing 10.2 to 2,541.1. However, volume remained thin and most activity was limited to position-squaring by professionals.

Investors focused on Georg Fischer, up SFr105, or 7.2 per cent at SFr1,560 after reporting better than expected first half profits. UBS bearers recovered SFr19 to SFr1,097, while buy orders boosted Nestlé SFr10 to SFr1,194 and Roche certificates by SFr60 to SFr5,740.

AMSTERDAM was supported by a slightly firmer bond market, and by Wall Street as the AEX index closed 3.21 higher at 414.04.



One of the bright spots was Internatio-Mueller which jumped Fl 6.90 to Fl 86.40 after reporting first half results above expectations, while KPN closed up Fl 0.20 at Fl 51.80 in fairly heavy turnover ahead of half-year results released after the close of trade. KPN, the Dutch telecommunications and postal group partly privatised in June, posted a rise of nearly 17 per cent in first-half net profit.

In contrast, Pakhoed was down Fl 1.30 at Fl 48.90 after first half results which were below expectations while Hagemeyer closed down Fl 0.20 at Fl 136.80 on its progress report.

Philips advanced by Fl 0.60 to Fl 57.70 after Moody's Investors Services, the US credit rating agency, said that it had placed the company's long-term debt ratings under review for a possible upgrade.

MADRID accelerated its recovery a little on Wall Street's gains and a firmer dollar, the general index rising 1.91 to 306.15 in turnover of Pta23bn.

Banks were mixed with BBV, Banesto, Popular and Argentaria all losing ground, BCH gaining a little and Santander rising Pta60, or 1.2 per cent to Pta5,160. ADR stocks like Repsol and Telefónica offered a gentle response to Wall Street, rising Pta15 to Pta4,005, and Pta10 to Pta1,795 respectively.

STOCKHOLM finished sharply higher, underpinned by the stronger trend on other European bourses. The Affärsvärlden General index climbed 25.3, or 1.8 per cent to 1,436.6 on turnover of SKr2.95bn. Astra A jumped SKr5, or 3 per cent to SKr170 on speculative buying ahead of mid-term results next week.

WARSAW dropped on intense profit-taking in blue chips and brokers said that the slide would probably continue tomorrow. The all-share index fell 535.8, or 4.2 per cent, to 11,971.2, weighed down by a 10-per cent decline in the market heavyweight, Wedel.

Written and edited by William Cochrane, Robert Vincent and Sarah Utley

ASIA PACIFIC

Hong Kong stabilises as Tokyo turns round

Tokyo

A break in the yen's appreciation against the dollar supported the futures market and the Nikkei index gained ground for the first time in four trading days, *writes Emiko Terazono in Tokyo.*

Buying by arbitrageurs and public funds lifted the 225 average by 130.82 to close at the day's high of 20,511.60. It hit a low of 20,311.96 in the morning session, but revived on buying by public pension and insurance funds.

Futures traders were encouraged by the Bank of Japan buying dollars. Meanwhile cross trading – the selling and buying back of stocks to realise profits without changing the portfolio – among corporate investors and banks before the September book closing also lifted activity. Volume totalled 273.6m shares against 192m.

However, other than domestic institutions buying back some steel and electrical stocks, there was a lack of investment demand.

The Topix index of all first section stocks rose 6.91 to 1,638.70 and the Nikkei 300 rose 1.35 to 298.35. Gainers led losers by 565 to 423 with 193 unchanged and, in London, the ISE/Nikkei 50 index fell 1.55 to 1,329.78.

Steel makers were higher with Nippon Steel up Y8 to Y370. Some electronic makers and high-technology companies, which had been hit by the yen's rise, picked up. NEC gained Y20 to Y1,180 and Ricoh added Y12 to Y955.

In contrast, Toshiba lost Y7 to Y733 on profit-taking and Hitachi, although traded actively, remained unchanged at Y978. TDK, the tape maker, sank Y110 to Y4,270 on reports of a fall in quarterly earnings.

Drugs stocks were higher. Takeda Chemical advanced Y10 to Y1,260 and Mochida Pharmaceutical gained Y110 to Y2,250.

Stocks traded actively on cross-trading included Nikko Securities, which rose Y10 to Y1,170, Nissan Motor, up Y3 to Y783 and Daiei, which added Y20 to Y1,760.

DDI, the telecom company listed on the second section, gained Y46,000 to Y960,000 on bargain-hunting.

In Osaka, the OSE average rose 30.63 to 22,810.31 in volume of 56m shares. Ono Pharmaceutical gained Y40 to Y4,880.

Roundup

Hong Kong stabilised after Tuesday's sharp drop while other markets slid back after profit-taking.

HONG KONG erased early weakness following Tuesday's disappointing land auction with a late round of bargain-hunting.

The Hang Seng index closed 4.63 higher at 9,238.69 after a morning low of 9,130.07. Turnover was a preliminary HK$3.67bn, up from Tuesday's adjusted HK$3.17bn.

But brokers said sentiment remained wary before today's interim profit announcements from Cheung Kong, the property developer, and the conglomerate, Hutchison.

The H-share index, tracking Chinese companies listed in Hong Kong, rose 13.11 or 1.10 per cent to 1,206.21.

SINGAPORE slipped as participants continued to book profits following recent gains. The Straits Times Industrial index fell 24.06 to 2,278.82 as 299.7m shares changed hands.

Malaysian shares traded over the counter were also under pressure, with the UOB-OTC index shedding 9.28 to 1,248.97.

Brokers said that the OTC market was affected by unsubstantiated rumours, including possible resignations by Malaysia's transport minister and the chief minister of Malacca.

Singapore Press Holdings rose 50 cents to S$27.00 after issuing 13m new foreign shares. News of a 71-per cent jump in pre-tax profit at mid-term boosted Cycle & Carriage 10 cents to S$11.30.

KUALA LUMPUR saw its heaviest trading in six months as volume rose to 593m shares.

But blue chips failed to keep pace with speculative stocks and the KLSE composite index closed 4.78 lower at 1,141.57 as investors took profits.

TAIPEI finished off its highs as profit-takers moved in but financial shares benefited from strong buying late in the day.

The weighted index closed 63.95 better at 6,862.14 as turnover rose to T$100.3bn from Tuesday's T$87.56bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY AUGUST 23 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 22 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	172.45	-0.8	164.53	107.32	137.87	155.82	-0.7	3.53	173.80	166.23	107.62	138.33	156.91	189.15	139.24	145.32
Austria (17)	191.50	-0.5	182.70	119.17	153.09	162.91	-0.2	1.04	192.36	183.98	119.11	153.10	153.20	195.41	164.64	167.46
Belgium (37)	176.03	0.1	167.94	109.54	140.72	137.57	0.5	4.02	175.91	168.24	108.92	140.00	136.82	176.76	143.82	150.36
Canada (104)	130.25	0.4	124.26	81.05	104.12	129.95	0.6	2.61	129.75	124.09	80.34	103.27	129.24	145.31	120.54	127.15
Denmark (33)	259.31	-1.5	247.40	161.37	207.30	214.55	-1.1	1.38	263.23	251.75	162.99	209.50	216.90	275.79	220.58	223.52
Finland (24)	170.76	-0.8	162.92	106.27	136.51	180.16	-0.2	0.78	172.10	164.60	106.57	136.97	180.51	172.10	104.28	115.56
France (97)	175.98	0.7	167.89	109.51	140.68	145.46	1.1	3.03	174.80	167.18	108.24	139.12	143.93	185.37	159.34	161.27
Germany (58)	145.24	-1.4	138.57	90.39	116.11	116.11	-0.9	1.78	147.25	140.83	91.18	117.19	117.19	147.75	121.78	121.78
Hong Kong (56)	374.56	-2.5	357.35	233.10	299.44	371.60	-2.5	3.27	384.11	367.37	237.85	305.72	381.04	508.56	288.76	292.54
Ireland (14)	198.51	0.2	189.39	123.54	158.70	182.40	0.0	3.46	198.07	189.44	122.65	157.65	182.38	209.33	161.54	171.98
Italy (59)	82.91	-0.2	79.10	51.60	66.28	96.88	-0.1	1.60	83.10	79.48	51.46	66.14	96.93	97.78	57.88	78.63
Japan (469)	165.55	-0.8	157.95	103.03	132.35	103.03	-0.3	0.74	166.86	159.58	103.32	132.81	103.32	170.10	124.54	158.14
Malaysia (97)	561.12	-0.3	535.34	349.20	448.59	551.39	-0.3	1.48	562.68	538.16	348.43	447.85	552.82	621.63	379.23	379.23
Mexico (18)	2349.15	0.9	2241.18	1461.91	1877.98	8569.59	1.5	1.56	2328.98	2227.47	1442.14	1853.62	8441.26	2647.08	1615.11	1736.69
Netherland (27)	214.23	0.2	204.39	133.32	171.27	168.70	0.6	3.38	213.83	204.51	132.41	170.19	167.78	214.54	178.50	178.50
New Zealand (14)	70.70	-0.3	67.45	44.00	56.52	62.51	-0.5	3.62	70.92	67.83	43.92	56.45	62.82	77.59	59.22	62.38
Norway (23)	207.14	-1.0	197.62	128.91	165.60	190.05	-0.7	1.74	209.28	200.15	129.59	166.56	191.37	211.74	165.52	170.54
Singapore (44)	357.39	-0.7	340.97	222.41	285.72	247.29	-0.6	1.70	359.81	344.13	222.80	286.37	248.88	378.92	278.79	280.21
South Africa (59)	302.71	0.6	288.80	188.36	242.00	299.72	0.0	2.09	301.00	287.88	186.39	239.57	299.68	305.44	175.93	198.63
Spain (42)	142.44	0.5	135.89	88.64	113.87	138.32	0.5	4.17	141.74	135.56	87.77	112.81	137.64	156.79	128.89	133.16
Sweden (36)	216.28	-1.0	206.35	134.60	172.91	243.19	-0.4	1.84	218.43	208.91	135.26	173.85	244.21	231.35	175.83	185.68
Switzerland (47)	160.65	-0.6	153.26	99.97	128.43	129.11	-0.1	1.88	161.53	154.49	100.02	128.56	129.29	176.56	133.67	133.67
United Kingdom (204)	201.51	0.3	192.25	125.40	161.10	192.25	0.1	3.95	200.81	192.05	124.34	159.82	192.05	214.98	181.11	186.25
USA (519)	189.74	0.5	181.02	118.08	151.69	189.74	0.5	2.84	188.88	180.65	116.96	150.33	188.88	196.04	178.95	186.20
EUROPE (718)	173.62	-0.1	165.64	108.05	138.80	154.27	0.1	3.01	173.73	166.16	107.58	138.27	154.18	178.58	153.86	154.15
Nordic (115)	214.49	-1.1	204.63	133.48	171.47	205.62	-0.6	1.44	216.80	207.35	134.25	172.56	206.77	222.03	173.19	177.07
Pacific Basin (745)	174.08	-0.9	166.09	108.34	139.17	113.43	-0.4	1.06	175.59	167.94	108.73	139.76	113.52	176.86	134.79	162.02
Euro-Pacific (1466)	173.76	-0.5	165.78	108.13	138.91	129.77	-0.2	1.88	174.68	167.07	108.16	139.03	130.06	175.05	143.88	158.67
North America (623)	186.05	0.5	177.50	115.78	148.74	185.64	0.5	2.83	185.21	177.14	114.69	147.41	184.79	192.73	175.67	182.54
Europe Ex. UK (514)	154.94	-0.3	147.82	96.42	123.86	132.29	0.1	2.45	155.42	148.65	96.24	123.70	132.21	158.12	134.07	134.07
Pacific Ex. Japan (279)	258.19	-1.3	246.33	160.68	206.41	230.23	-1.2	2.80	261.60	250.10	161.93	208.13	233.11	296.21	189.12	200.47
World Ex. US (1647)	175.24	-0.5	167.19	109.05	140.09	133.50	-0.2	1.90	176.06	168.39	109.02	140.12	133.74	176.37	145.58	159.01
World Ex. UK (1962)	176.83	-0.2	168.71	110.05	141.37	146.82	0.0	2.04	177.19	169.47	109.72	141.02	146.87	177.54	155.96	165.22
World Ex. So. Af. (2107)	178.24	-0.2	170.05	110.92	142.49	149.88	0.0	2.23	178.52	170.73	110.54	142.08	149.82	178.81	159.54	166.98
World Ex. Japan (1697)	188.37	0.1	179.71	117.22	150.58	178.92	0.2	2.87	188.12	179.92	116.49	149.72	178.69	195.20	173.87	173.87
The World Index (2166)	179.01	-0.1	170.79	111.40	143.11	150.98	0.0	2.23	179.28	171.46	111.01	142.69	150.82	179.60	158.85	167.08

Latest prices were unavailable for this edition.